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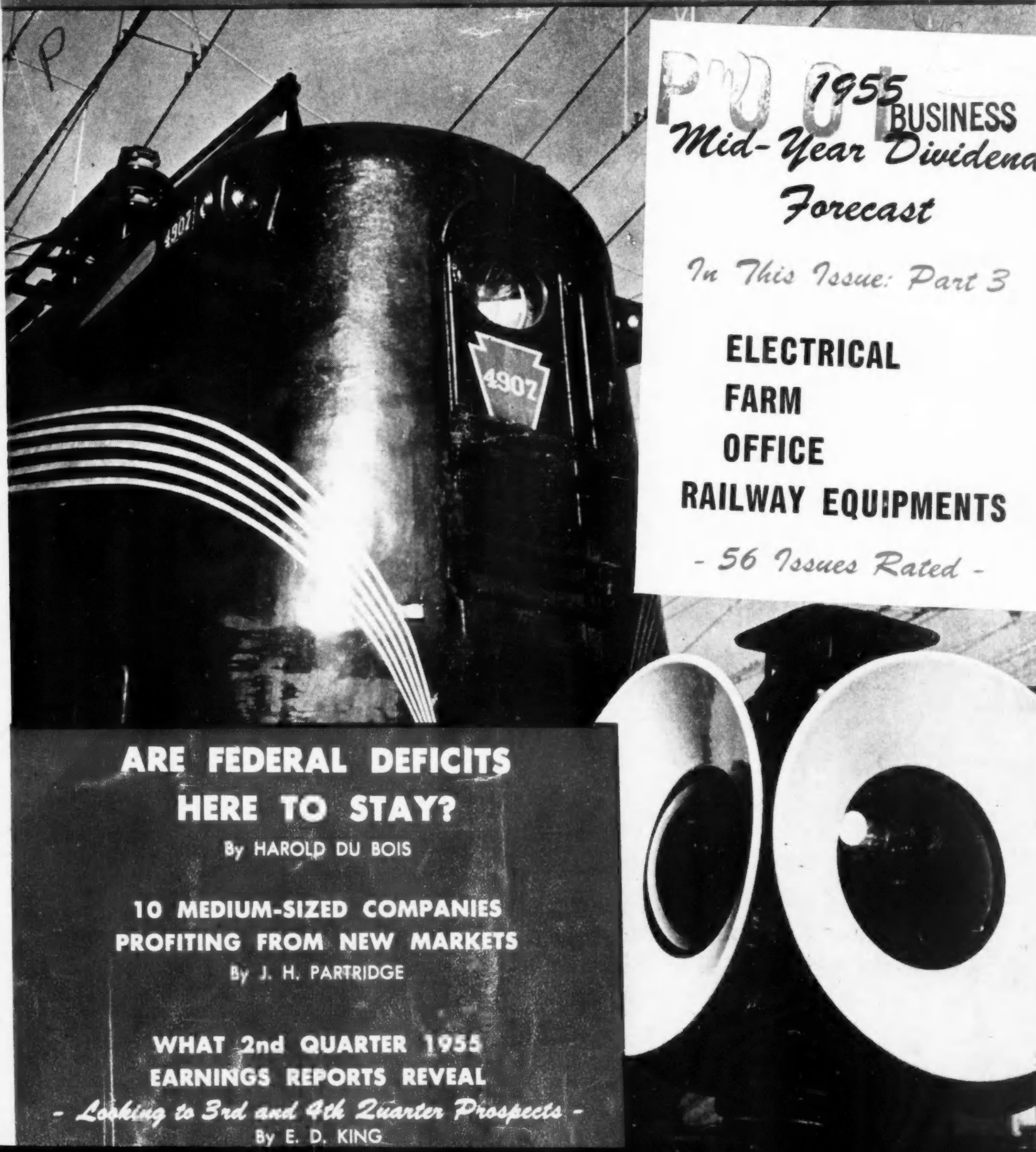

1955 BUSINESS
Mid-Year Dividend Forecast

In This Issue: Part 3

ELECTRICAL
FARM
OFFICE
RAILWAY EQUIPMENTS

- 56 Issues Rated -

ARE FEDERAL DEFICITS HERE TO STAY?
By HAROLD DU BOIS

10 MEDIUM-SIZED COMPANIES PROFITING FROM NEW MARKETS
By J. H. PARTRIDGE

WHAT 2nd QUARTER 1955 EARNINGS REPORTS REVEAL
- Looking to 3rd and 4th Quarter Prospects -
By E. D. KING

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CONTENTS

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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. D. KING, *Managing Editor*

The Trend of Events

CONGRESSIONAL BOX SCORE . . . The 84th Congress wound up its affairs and departed for home, leaving behind it as undistinguished a record as any in recent years. Unfortunately, the President, preoccupied to an extraordinary extent with vital and pressing foreign affairs, was unable to exert sufficient leadership to put through his cherished domestic program, though, of course, as we all know, he had an immense succcess in the foreign field. Consequently, important measures that should have been acted on, such as the highway program, construction of new schools, statehood to Hawaii and Alaska, natural gas control and social measures of various sorts were deferred to the next session.

There seems little doubt that Congress, as a whole, Republicans and Democrats alike, preferred to take a more or less noncomittal position on important legislation, compromise being the order of the day where legislation could be at all agreed on, with an unvoiced arrangement to allow all other measures to die quietly in Committee.

Behind the quiet on the Potomac, there was an obvious determination on the part of individual Senators and Congressmen not to waste their ammunition too far in advance of the national campaign of 1956. Hence, we may expect to see a bustle of activity in Congress in the next session with legislation enacted mainly with an eye to grabbing votes when the elections roll around. This may not be the ideal way things should be done to promote the national interest but it is certainly too often the way in which things are done in Washington.

CURB FOR CREDIT INFLATION? There is little reason to question the fact that credit inflation is one of the dominant factors, if not the dominant, in the remarkable year-old upsurge of business. Certainly, the enormous expansion in residential building and automobile production and sales in that period was made possible, largely through a very sharp increase in mortgage and consumer credit. Some more conservative observers feel that these basic industries, and the others allied to them, have become far too dependent for their continued prosperity on a spending public which seems little inhibited by a fear of incurring debt. They feel, therefore, that a halt may have to be called in order to moderate the inordinate demand for this type of credit.

As a matter of fact, a recent survey of the President's Council of Economic Advisors has stimulated a rather thoroughgoing re-examination of the entire consumer credit-mortgage situation by federal financial authorities. Thus, the Comptroller of the Currency has informed national banks that national bank examiners have been instructed to report on all phases of instalment credit, with the purpose of plugging any too obvious loopholes. Additionally, the Federal Reserve Board has notified State banks in the Federal Reserve system that in the future their loans to consumers would be under stricter review. The object of these moves is to caution the banks of the country that they would be expected

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: :1907—*"Over Forty-seven Years of Service"*—1955

to exert a greater degree of conservatism with respect to granting consumer loans.

Government authorities are now not so much concerned with the aggregate size of consumer loans as they are with the current tendency toward excessive liberality of terms, particularly with respect to granting inordinately long periods of repayment in an increasing number of instances, extending to three years and even more. These authorities are even more concerned with a type of institutional promotion which stimulates consumer buying on terms not considered sound, from the standpoint of sound banking.

While the government wishes to do nothing that "would rock the boat" and thereby interrupt our current prosperity through too sharp a curtailment of credit, it is at the same time aware that an element of risk has been added to the general outlook for business through the current pyramiding of the consumer debt structure. Obviously, it is commencing to take steps to prevent this situation from getting out of hand, as it's more interested at this stage of the economic cycle to maintain stability than to encourage a new wild wave of buying which could only have the ultimate effect of ending the current boom prematurely.

SOVIETS IN IOWA . . . Whatever the talents of the American people, and they are diverse and unique, they have not shown a genius for making propaganda. Our Government agencies, charged with this task in the decade of the cold war, could think only in terms of multi-million-dollar programs and sloppy, ill-conceived ideas as they failed miserably to convey the message of America beyond the Iron Curtain. It remained for a newspaper in Iowa, which originated the invitation to the Soviet farm delegation, and the industrious people of that state to send the message of America into a part of the world where men know neither freedom nor plenty. In this project, Iowans received scant help or encouragement from the State Department. And that was all for the best. Short on protocol and interpreters, but long on the warmth and spirit that made America great, they opened their homes, farms and hearts to their Soviet guests. Whatever the Kremlin may have told, or propose to tell, these touring Communists, they can never erase from their minds the spectacle of American farmers enjoying the fruits of their labor—fine homes, every modern device, automobiles, schools and the like. All this they saw for the first time in their lives and, more important, they learned that these blessings were coupled with the greatest measure of freedom.

PROTECTION FOR THE INVESTING PUBLIC IN "PROXY" FIGHTS . . . Stockholders have reason to ask whether their interests were properly safeguarded in the "proxy" fights which have become so prevalent in the past year. Stockholders, of course, have the right to cast their ballot anyway they choose at important stockholders' meetings, such as the election of directors. However, they very often lack the experience with which to make a correct decision, or they may become befuddled by the extravagant type of solicitation of stockholder support frequently indulged in by actively contesting parties in the struggle for company control. The result is that individual stockholders deluged by conflicting statements of prejudiced parties often cast their ballots at crucial meetings without a full understanding of the stakes.

The Securities & Exchange Commission has become particularly interested in this situation during the past year, and in recent testimony before the Senate Banking and Currency Subcommittee, the Chairman advocated some important changes in administering the law which could have the result of offering much better protection to the ordinary stockholder caught up in "proxy" fights.

The suggestions of the Chairman of the SEC are along the following lines: all published material relating to the solicitation of proxies by "outside" interests, such as in the case of the Wolfson-Montgomery Ward "proxy" fight to be reviewed in advance by the Securities & Exchange Commission; brokers and dealers, etc. to be prevented from voting "proxies" without consent of actual owners; full disclosure of identity of new interests seeking control through solicitation of "proxies", and publication of costs of "proxy" solicitations.

Under the new set-up under consideration, there will be much fuller disclosure of the relevant facts pertaining to "proxy" fights. The availability of this important information should prove a distinct advantage to stockholders, particularly in situations where, as in too many recent examples, the motives of contending factions for control do not appear to have been above reproach.

TAX OUTLOOK . . . From present indications, there should be an income tax cut next year, despite clear prospects for another large federal deficit. Though the leaders of the two major parties have not yet committed themselves on the matter, it is known that the rank and file of legislators, who will be running for election in 1956, support a tax cut as a sure means of getting votes.

Aside from the controversial features of this subject, investors and businessmen have reason to be concerned with the practical results of a tax cut next year inasmuch as it is likely to affect their attitude on accepting profits and income in the remainder of 1955. It follows that with taxes lower next year, businessmen and investors naturally will desire to defer acceptance of profits this year—so far as is practicable—in order to take advantage of the lower rates in prospect. This, of course, applies specifically to short-term profits (less than six months) as capital-gains profits tax rates are not likely to be disturbed, remaining at the present 25%.

The prospect of a tax cut may now seem quite far off but knowing businessmen and investors will be planning in advance how to take advantage of the coming change in rates. The amount of savings obviously will depend on the size of the tax cut to come. Since this will not be known until early next year when Congress reconvenes, an accurate appraisal of potential tax savings is not possible at this time. However, regardless of the size of the cut, it will pay businessmen and investors to examine their status even at so early a stage as the present so that they may, beforehand, be able to execute any plans they may have, which will have a bearing on their future taxes.

As I See It!

By JOHN CORDELLI

WILL THERE BE MORE EAST-WEST TRADE AFTER GENEVA?

The hopes engendered by the successful outcome of the Big Four Conference at Geneva have naturally stimulated rising expectations in international circles that trade between East and West will increase substantially with the relaxation of tension now clearly in view. There is little question that the Soviets now want a detente with the West in order that they may be left freer to prosecute vigorously their long-range economic plans, not least of which is the promotion of a better living standard for their people. They must also look to ways and means of strengthening the terribly weak economies of their satellites and must reinforce their ally, China, in every way possible. The fact is that the Soviets simply have not the resources for such a monumental program. They must, therefore, look to the West for aid.

No country has concentrated investment in heavy industries, the base for military power, to such a degree as Soviet Russia. This has led the government to commit itself far beyond its capabilities except in the narrowest military sense. Under the conditions, it is logical for the Soviet leaders to want to call a halt to its giant military expenditures, thus preparing the first essential step toward opening up its borders for trade with the West. However, Russia, including the satellites, has comparatively little to offer the West by way of trade. Aside from some surplus raw materials, all the production of Russia and its associates are needed for internal use and cannot be exported to any substantial extent, without severe sacrifice of production and delay to their economic programs.

Many businessmen, representing a great variety of nations, have traveled to Russia and her satellites in the hope of opening up profitable channels of new business. However, they had to return home, disappointed both by the paucity and quality of goods offered and by the transparent inability of the Soviets to pay, except to a rather limited extent in gold. Hard currencies, of course, are in short supply so far as the Communist Empire is concerned.

IT'S A LOT BETTER THAN SAWING THE GIRL IN TWO

Dowling in the N. Y. Herald Tribune

The Soviet authorities know these facts to be so and since it will take years to unblock the formidable obstacles to a free flow of trade between East and West, these realists undoubtedly are preparing to create favorable political conditions which could facilitate receiving credits from abroad, especially from the United States. It should not be forgotten that directly after World War II, Stalin proposed that the United States government advance from $5 billion to $10 billion in credits to assist in the reconstruction of the devastated Soviet lands. This was during the period when we advanced $3 billion in credits to Britain. Stalin, of course, foreclosed on the possibility of receiving credits from our government when he turned to aggression. The present rulers are well aware of the consequences of Stalin's self-defeating policies and are, therefore, likely to reverse the course with the object of enlisting financial support from the capitalist nations.

It is understandable that the Soviets should eventually seek to secure credits from abroad but it is hardly likely that the West will be eager to grant them, though it would like to expand East-West trade as much as Russia and the satellites.

Financial authorities (*Please turn to page* 624)

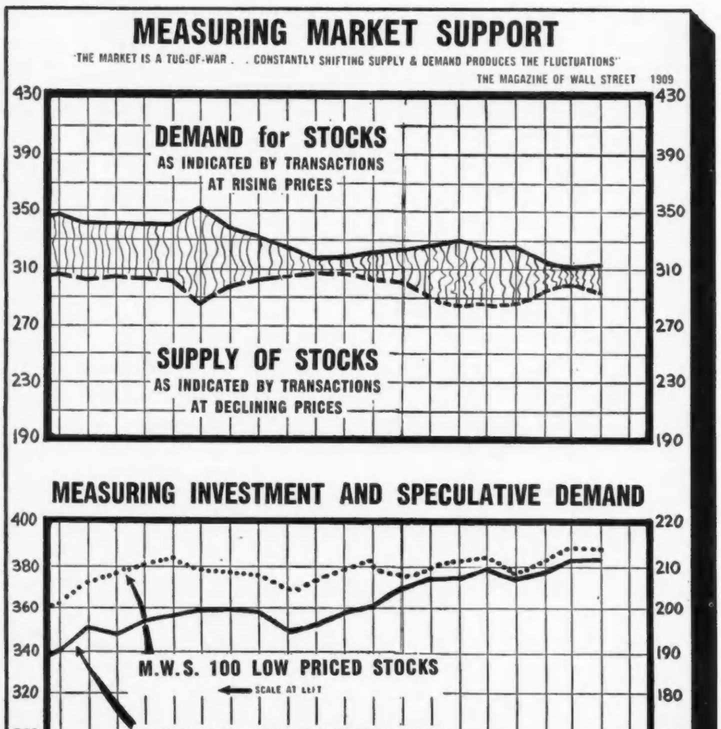
New Market Peaks Invite Profit-Taking

Prospects for business, corporate profits and dividends remain bright. Against that, industrial stock yields are fairly close to the minimums reached at past bull-market tops; and price-earnings ratios, while not extreme, are the highest in some years. We continue to recommend a conservative, highly selective investment policy.

By A. T. MILLER

Net gains were chalked up by the daily industrial and utility averages over the past fortnight, the former reaching another new all-time high in the forepart of last week, the latter a new high for this bull-market at the best level seen since 1931. The railroad list remained stymied in its recent narrow trading range, with little change on balance for the fortnight. Centering principally in industrials and rails, with utilities flattening out, irregularity and moderate pressure developed toward the end of last week, reflecting a combination of increased profit taking and less aggressive investment and speculative demand for stocks. Whether the more cautious mood evident at this writing will prove to have more than transient significance remains to be seen; but certainly an interruption of the upward trend — whether in the form of a consolidating pause or a corrective sell-off of some proportions — could be justified both on technical grounds and by the greatly reduced current yields available on good-grade stocks; and its development, whether immediately or within a short time, would be no surprise.

Both in the patterns of the industrial and rail averages and in a tendency toward reduced trading volume, the bull market shows some indications of "running out of steam". Following sustained and orderly rise from the mid-May reaction low to early July, the industrial average has subsequently done little more than churn around in a less orderly fashion. An abnormally wide two-day spurt, caused by run-ups in General Motors and a few other prominent stocks, took it to a July 6 high of 467.41. That was followed by about a 10-point dip to July 19, which in turn was followed by a rise of 11.73 points to a July 27 high of 468.45. That the latter was a new all-time peak may be less significant than the fact that it bettered the July 6 high by only a fraction of a point.

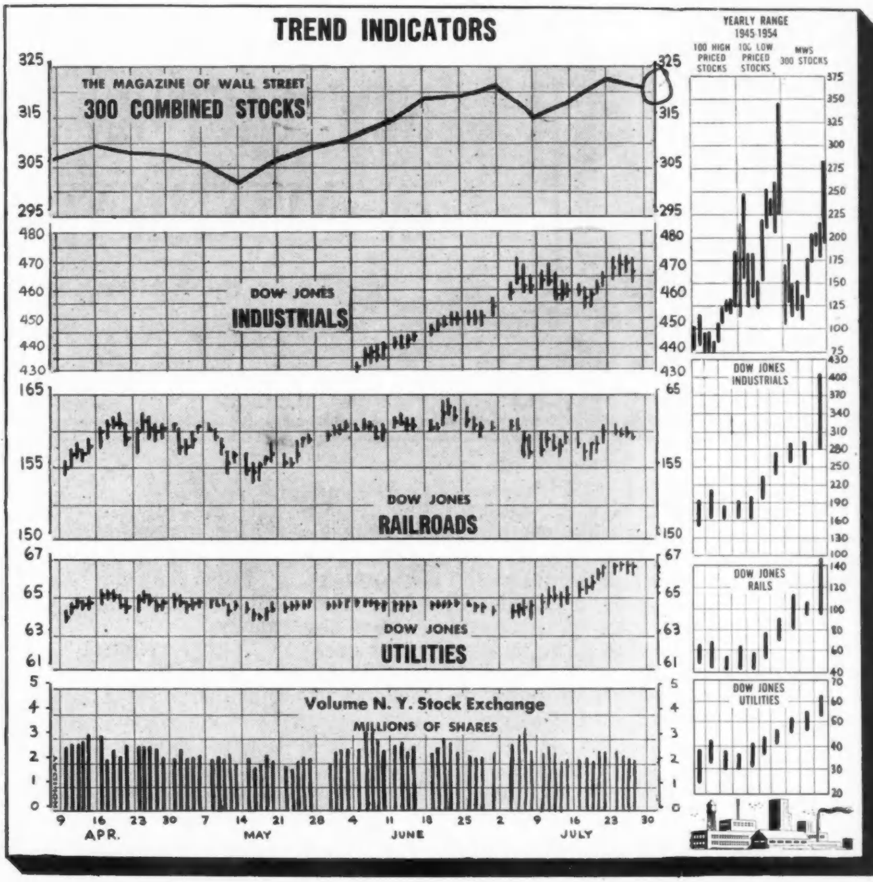


Rails Getting Nowhere

The rail list, after vigorous earlier movement, has lagged behind industrials for about three months. The average recorded its bull-market high to date as far back as June 22 at a level of 163.26. In the prior March-April phase of advance it rose a sharp 19 points to April 26 high of 161.54. That was bettered at the June 22 top by only 1.72 points. The average's best closing level on moderate strength late in the trading week ended July 22 was 159.98, from which level it receded slightly by the end of last week.

On a comparative yield basis, selected utility stocks have appeal for conservative investors; but the rise of this average (currently checked at least temporarily) cannot be wide under re-

strictive money-market conditions; and no extension of it could have "trend significance" for the general market. Its pattern never influences speculative - investment calculations, hopes or hunches in the way that performance of the industrial and rail averages do.



The largest trading volume so far this year was seen early in January. It is immaterial, from a technical viewpoint, whether the subsequent tendency toward shrinkage was caused by the two boosts in margin requirements. There is food for thought in the fact that at the top of the January-March phase of market advance, volume was under the early January level. It was lower at the top of the next upswing in late April than at the March market high; and the sharp May-July rise was on average trading volume only about equal to the April level. While not infallible, a tendency toward lower volumes of trading on successive upswings to new highs in the averages can be an indication of "senility" in a bull market.

In the final stages of the 1942-1946 bull market, largest monthly volume was reached in January, 1946, at 51,510,000 shares; highest daily volume at 3,490,000 shares late in that month, with the industrial average reaching 205.35. The latter was bettered by a mere 1.62 points at a February 2 intermediate high of 206.97 on sharply reduced volume, from which the average reacted about 21 points, or 10%, over a three-week period. From then on, the more speculative issues lagged and prominent stocks provided "good leadership" in the final few months of the bull market, in which respect the present market has been similar for many weeks. The 1946 top came in late May at 212.50 for the industrial average, or a five-month extension of the bull market of less than 3% from the early-February intermediate top; with May trading volume only 30,409,000 shares; and with volume only 1,997,000 in the May 29 session, when the final top was made, prior to the comparatively moderate 1946-1947 bear market, in which the industrial average declined a little over 23%, the rail average nearly 40%.

In the present instance, another indication on the cautionary side has been a tendency toward a decreased number of individual stocks participating in periods of strength as measured by the averages. In the July 27 session, with the industrial average at its peak to date, 437 stocks advanced, 499 declined; and at the nominally lower July 6 high only 361 stocks showed gains on the day, while 636 showed losses. Against that, in the top April session for the average, there were 595 advances, 387 declines; in the top March session 520 advances, 447 declines; at the January 3 intermediate high 648 advances, 421 declines. Again, at the successive market highs cited, only 63 individual stocks recorded new highs July 27, against 82 July 6, 101 April 26, 99 March 4 and 218 January 3.

Profit Potential Reduced, Risk Increased

It is not possible to pin-point the exact top of any bull market in advance thereof, either by technical analysis or commonsense appraisal of the fundamental economic-financial factors, for statistically-measured values mean less and less as speculative-investment confidence merges into over-confidence and the market moves from ample valuation to over-valuation and extreme. Who can predict how foolish people may get? Certainly the profit-making potential in new buying of stocks has been reduced, the risk increased. Can the industrial average plow through the 470 supply level fairly soon, with some increase in trading volume and some participation by rails? If not, allowance should be made for possibility of at least a substantial intermediate sell-off.

(For a comprehensive discussion of yields, money rates and price-earnings ratios, as affecting investments, see special article on following pages.)

—Monday, August 1.

NEW FACTORS EMERGING IN INVESTMENT MARKETS

By WARD GATES

(Editor's Note: In the preceding issue of the Magazine, in a special article, we discussed the business outlook for the second half of the year. The present article, which is a sequel to the one appearing in the last issue, is concerned with the major factors likely to influence broad trends in the securities markets. The two articles complement each other. Read in context they should offer a useful guide to businessmen and investors to the end of the year, looking ahead into 1956.)

The outstanding fact about the basic investment trend of today is that it is slowly but surely being influenced by changing conditions in the money market which, while they may not be so apparent to the casual observer are, nevertheless, quite potent in their longer-term effects. The change has naturally come about as a result of our high volume of business activity which, in turn, has contracted the supply of loanable funds under the pressure of rising demand from business with the result that money rates, though quite unobtrusively, have been edging up for a considerable period. This tends to exert a very impressive influence on securities, more immediately felt in the case of fixed-income securities (bonds and preferred stocks) and of rather longer-term effect on common stocks.

As a consequence of this developing situation, yields of the fixed-income category have been rising more or less steadily for the past year, or from the time the basic trend in the money market commenced to reflect the change from great ease to the degree of relative tightness now in evidence. While this has been going on, yields on common stocks of the best quality have been shrinking as a result of their extraordinary large price rise during the prolonged bull market.

Contrasting Trends in Yields

Thus, two major trends in opposite directions in the yields of the two securities categories are being established: yields on bonds rising and yields on common stocks declining, causing the spread between the two to narrow to a marked degree. This is of extreme importance for it is historically true that a major distortion in the relation between yields of bonds and stocks cannot endure indefinitely. Sooner or later, the pattern must be broken, and the relationship brought back to something approaching normalcy.

With respect to situations when a distorted relationship existed between bond and stock yields, significant periods comparable to the present were: 1929 and 1946. In 1929, the average yield on best-grade stocks was 4%, as compared with a 4.75% average yield on best grade industrial bonds, a spread in favor of bondholders. This situation did not last for very long, as we all know, for the market cracked in late 1929 and with it came an automatic rectification of the spread between bonds and stocks. In early 1946 (the peak of the market) the average yield on best-grade common stocks was 3.50% as against approximately 2.75% for bonds. This proved too narrow a spread and by the end of the year with the decline in stock prices which took place at that time, the spread between bond and stock yields was brought back to a more normal position.

At the present time, the yield on best-grade stocks is about 4.25% (with many yielding much less), compared with a yield of 3.25% on bonds, which affords a margin of income for stockholders of 1% over bondholders. This represents a spread more favorable to common stocks than in 1929, which gave a margin of income of 0.75% to *bond holders* over stock holders. In 1946, the spread between bond and stock yield was ¾%, even smaller than the 1% of today. What is significant in these figures is that whenever the spread between bond and stock yield has shrunk to around 1%, an adjustment tends to take place in this relationship which eventually brings common stock yields into better balance with bond yields. This, of course, is another way of saying that common stock prices tend to decline when their yield becomes too low in comparison with bonds.

In a declining period, as stock prices get lower, their yields naturally rise, thus increasing the income spread between this class of securities and bonds, but this can only come about after a prolonged drop in the market.

For example, after the 1929 break, yields on common stocks rose from 4% to as high as 7%. Another example is the 1946 break in the stock market. Just

before this break started, yields on common stocks were 3.50%. When the decline ended in 1948-49, yields had again risen to 7%. This automatically increased the spread between yields on stocks and bonds, the latter averaging about 3½% vs 7% on stocks.

The fact of the matter is that from a long-range yield standpoint, income-bearing securities are in a sort of competition to common stocks. Investors concerned to a substantial degree with income from securities, as distinct from appreciation, tend to watch the spread between bond and stock yields quite closely. At the present time, many such investors are re-examining their portfolios to determine whether they might not be able to better their position by "switching" from low-yield common stocks to high-grade bonds, particularly tax-exempts.

Market Valuation of Earnings

They may be further motivated by the fact that the best-grade stocks are now selling at an extremely high valuation of earnings, as compared with market values a year ago, when the market was much lower.

A few examples of this process may illustrate the point. Thus, Dow Chemical last year at its low of 33 sold at 23.4 times 1954 earnings; it is now selling at 56, or 35.6 times estimated 1955 earnings, a very substantial increase in market valuation.

DuPont last year sold at its low of 104 at 14.7 times 1954 earnings and has recently sold at 249, or 31.2 times estimated 1955 earnings, likewise a very liberal valuation.

Owens Illinois Glass at its low last year of 77 sold at 10.9 times its 1954 earnings. It has recently sold at 16.8 times estimated 1955 earnings.

Scott Paper last year was valued at 14.9 times earnings; this year it has been valued at as high as 26 times estimated 1955 earnings.

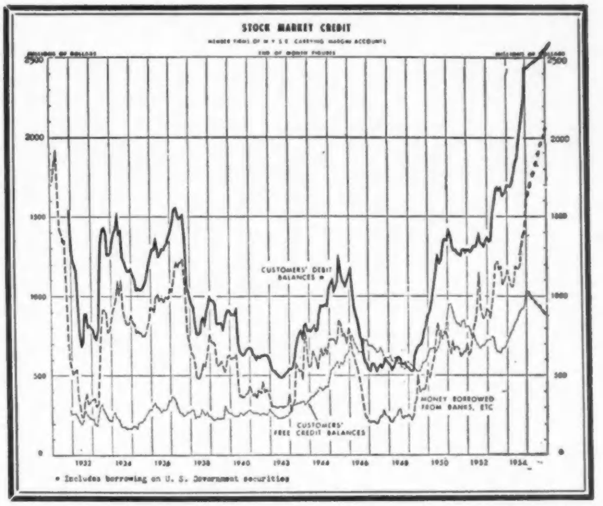
Goodrich sold last year at 8.7 times 1954 earnings, this year at 15.6 times estimated 1955 earnings.

General Electric last year sold at 12.6 times 1954 earnings and recently at 23.6 times estimated 1955 earnings.

Higher Dividends Discounted?

It would not be unreasonable to assume that many stocks with a similar market record have already quite substantially discounted any prospects of a rise in dividends which could bring the yield up from present levels. Under these conditions, a further rise in dividends, unless unusually large, would do little more than raise the yield modestly where the stock is already selling at a very high price.

This is illustrated by the current average price x earnings ratio for leading industrial stocks of about 18. While this is not extraordinarily high as compared with 1929 when the ratio was about 20 and



the 1946 ratio of over 23, it is still considerably higher than the price x earnings ratio of 9 which was established at the low point of the 1953 market. In other words, influenced by yield considerations such as described and, even more so, by the factor of stock market valuation of earnings, conservative investors now necessarily tend to look with greater favor upon bonds than upon common stocks at least insofar as making new investments is concerned.

Of course, this is not so true of individuals who are exclusively interested in appreciation. These investors tend to ignore the yield factor in favor of "growth" situations, discounting as unimportant any scarcity of current return. This is also true of low income investors seeking appreciation. However, the problem for this type of investor is to decide whether he may not be paying too much of a premium in order to get into "growth" situations which have already become liberally appraised in the market.

Low Yields on High-Grade Stocks

Typical of the problem facing investors who concentrate their investments in the so-called "blue chip" stocks is the current low yield on the following representative common stocks:

Dow Chemical	1.8%	Goodrich (B. F.)	2.7%
DuPont	2.4%	Owens Ill. Glass	3.0%
Scott Paper	2.5%	Phillips Petro.	4.1%
G. Elec.	3.0%	Minn. Min. & Mfg.	1.5%
	Avg. yield	2.62%	

For the investor interested in income, primarily, such low yields are obviously unattractive. As a matter of fact, if he is in the upper income brackets, he may feel it desirable to limit his purchases exclusively to tax-exempt bonds which will offer him a considerably greater net income.

(*Continued on page* 614)

ARE FEDERAL DEFICITS HERE TO STAY?

By HAROLD DU BOIS

Not in recent years has the position of the Federal Budget nor, indeed, of the entire fiscal outlook been so confused as at this period when a session of Congress is nearing its adjournment and a new fiscal year has been entered upon. Examined from one angle, the Treasury position seems better than anticipated when President Eisenhower presented his Budget to the Congress last January. From another, there are equally persuasive appearances that the nation, with a minimum of Administration opposition, is headed right straight back to deficit financing, not to meet an emergency (because there is no emergency compared with any period in the last decade) but *as an accepted way of fiscal life!*

At this writing it is yet uncertain what the final tally of appropriations will be in contrast to the January Budget requests but there are indications that Congress will have granted more than was asked, thus upsetting calculations as to the size of the deficit. And yet, here and there, Congress has seen fit to vote less than was asked by the President.

Perhaps more important than these considerations are the circumstances that Treasury tax collections now promise to flow in greater volume than had been estimated. It must be remembered that when the Budget was submitted last January, when calculations were made as to prospective revenues, the country might almost be said to have been under the domination of pessimists. Assuredly, there was a vast deal of talk about a recession which conceivably might plunge into outright depression. Tax relaxations earlier planned were cancelled under the shadow of this fear.

Confounding the dark predictions, the country proceeded into something approximating a boom. Then, in the Spring, came the threat of prolonged strikes in the automobile industry to which so much of the economy is geared. These did not materialize nor did a steel strike, which had darkly loomed, take place. It might be said that, so far, the year has been marked by a creeping prosperity of almost boom proportions.

So instead of a declining economy dismally reflected in declining tax receipts in every category—income and especially excise—the beginning of the new fiscal year sees the Office of Business Economics of the Department of Commerce come out with the announcement that for *the first time in our history* the national income has exceeded $300 billion! When it is considered that the Federal Government collects a tax on a vast variety of articles from the millionaire's limousine to the hillbilly's snuff, it becomes obvious that tax collections are going to be greater than had been forecast in a time of pessimism.

Defense Expenditures Still Very Large

Defense expenditures account for by far the largest single segment of the national budget. The Congress did not grant all the President had requested. He had asked for $32,232,815,000 and the measure as it finally reached him called for $31,822,815,726. In this connection there arose one of the omens which indicate that Congress has more than a yearning back to the New Deal.

The President was under the necessity of signing the Defense Appropriation bill but in so doing he took occasion to rebuke the Congress sharply for including a sort of rider in the legislation. It became

known in the Congress as the Sikes Amendment and it has the effect of nullifying what once was thought to be a major part of the President's program in that it would keep the Federal Government in business in competition with private industry.

Robert L. F. Sikes has been a Representative in Congress for several terms from Florida. He is not himself credited with outstanding personal leadership in this matter but there is no doubt that he represented so strong a bloc in the House that his amendment not only carried when the Defense Bill was under consideration there but remained in the bill under Senate handling. The President declared that the Sikes Amendment will curb the authority of the Secretary of Defense to terminate functions which the Eisenhower Administration was prepared to turn back to private industry on the ground that industry could perform the functions as well if not better than the Government.

Turnback to New Deal Fiscal Policies

This enactment of the Sikes Amendment is regarded by thoughtful observers as one of the milestones of the last six months in marking a turn back toward the New Deal. Another such milestone was the vote in the House in favor of continuing the same sort of crop supports as were favored in the heyday of the New Deal years.

The implications in relation to fiscal affairs are wide. The plan of the Administration, checkmated by the Sikes Amendment, would have returned these various functions back to a tax-paying position in the hands of privately owned industry. Instead they continue as a burden while at the same time competing with outside industry. This, any more than the crop support proposals, could not be strongly supported without a more fundamental support for deficit financing!

Senator Mundt of South Dakota, in opposing the Sikes Amendment in the Senate, emphasized the extent to which its purpose is a return to and a perpetuation of the New Deal. He said: "Carried to its logical conclusion, it would mean that the Government would never fire anyone and that the size of this bureaucracy could never be reduced."

There have been so many head-on collisions in policy that only a bold man can estimate the effect upon the Budget.

A joint statement issued by the Secretary of the Treasury and the Director of the Budget shows that at the close of the fiscal year June 30, the Treasury had a deficit of $4.192 billions. This was $300 million less than estimated in the January Budget. Figures announced were as follows:

	Net budget receipts	*Net budget expend.*	*Deficit*
	—in billions of dollars—		
1953	*$64.8*	*$74.3*	*$9.4*
1954	*64.7*	*67.8*	*3.1*
1955 (Jan. est.)	*59.0*	*63.5*	*4.5*
1955 (act.)	*60.3*	*64.5*	*4.2*

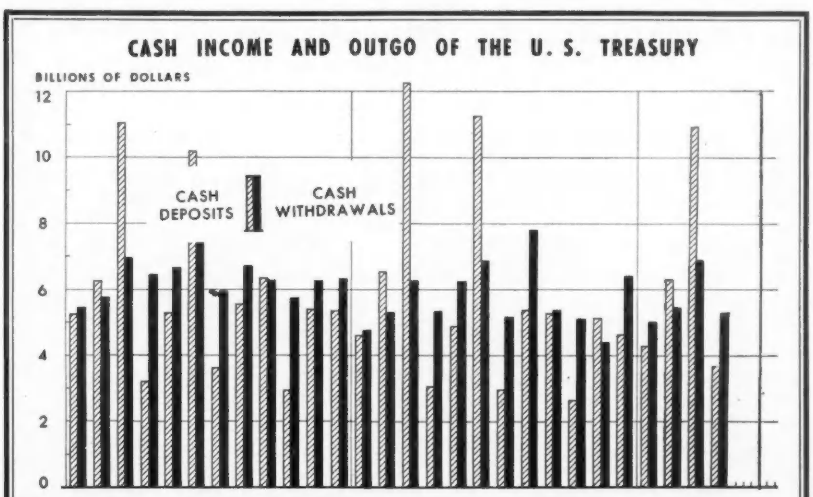
The statement said: "Receipts, stimulated by rising incomes and greater prosperity, were $1.3 billion higher than estimated, after allowing for the $7.4 billion tax reduction program in effect in 1954. Expenditures, however, were $1 billion higher. This, in large part, was because of an increase of $1.2 billion in spending for the flexible farm price supports program..."

Of immense importance is the question of what Congress will do with the recommendations of the expiring Hoover Commission on the Reorganization of the Executive Departments. Previous Hoover Commission recommendations have shown a remarkable record of acceptance. Were it not for the mounting tendencies back to the New Deal now apparent, it might fairly be expected that the fresh batch would materially alter the Budget and the entire fiscal outlook.

Most conspicuously, the implications of the Sikes Amendment run precisely counter to the Hoover proposal to return to private ownership a large part of the Federal Government empire in such things as public power works. From fifteen to twenty billions in value would go on to the tax rolls were that recommendation carried out. But, in addition, there are the direct savings in operating costs which the Hoover Commission has said can be effected through adoption of the recommendations made. These are estimated at $6.5 billions which, in itself, is huge enough a sum to turn your Budget figures directly around from deficit to surplus. Of the 275 recommendations made by the Hoover Commission appointed by President Truman, 200 were put into practice.

Another source of confusion is the position in relation to appropriations for foreign aid. The President had requested $3,266,641,750. From this the House cut $628 million, a substantial item even in this Budget. Senator George, Chairman of the Committee on Foreign Relations and one of the most influential Senators of either party, rallied strongly to the support of the President's request and, insisting that the Senate restore what the House had excised from the measure, finally had his way after a struggle.

Aforetime, the usual pattern was for the House



to vote generous appropriations for almost anything in the expectation that the more deliberate Senate would pare the amount. Recent years have changed that and shown the Senate often to be the more lavish. Only in this session, the President's Budget asked for $1.949 billions for the Department of Health, Education and Welfare. The House appropriated only $1.907 billions but the Senate brought it up to $1.973 *or more than the President had requested!* The same thing happened to the Post Office bill, the Senate restoring House cuts. From the standpoint of conservative fiscal management, it is not a good sign that the Senate is becoming so liberal.

The experience of the Interior Department bill is especially interesting. The January Budget asked for $313,353,000. The House carved this down to $297,925,000. The Senate raised it to $327,987,088 and, after adjustments in conference, the measure as finally enacted carried $317,573,627—again exceeding what had been requested!

The President was especially perturbed at the action of the Congress in reducing the sum he had requested for the Atomic Energy Commission. The President had wanted $1,380,847,000 but the appropriation measure reached the White House short by $144 million. The President was sufficiently concerned to issue a special statement on the occasion of signing the bill, lamenting the manner in which the work of the Commission would be curtailed. Well, here again a phalanx of Democratic Senators has come to the rescue and there now is pending a measure which would not only restore what had been cut from the bill as passed but lift the amount to $239 million! It is little wonder that statisticians and others attempting to arrive at final fiscal figures tear their hair. Time was when political divisions could afford some guidance as to what would happen in fiscal affairs but when a Republican President comes to rely upon leaders of the opposition to grant the funds asked, the compass becomes variable!

Members of Congress, the Treasury and everyone else concerned with fiscal affairs customarily expects to make early plans for tax legislation based on what appropriations are vouchsafed in relation to Budget requests. But leaders admit they are rather at sea at this stage because no one yet can be certain what will be shown on the books when Congress adjourns. The recommendations of the Hoover Commission, if adopted to any considerable extent, would permit of a tax reduction, but this is problematical.

Then, too, and very importantly, is what will happen after Geneva. While the hope is not more than a hope, it is conceivable that some agreement might be entered into for a general arms reduction which could change the tax picture. Even the chauvinistic Russian leaders have voiced the thought that it would be better to halt the armaments race. Conversely, there seems little doubt that Germany will be permitted to re-arm. That could very readily stop all consideration of reduced taxes; it might well mean another lap in the arms race with a balanced budget the most forlorn of hopes!

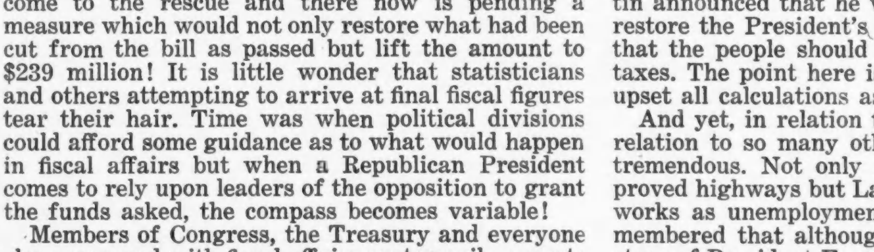
Trouble With the Road Program

One of the more controversial measures before the Congress at this session has been the President's road program. The President recommended a scheme whereby the Federal Government would contribute $32 billions toward a $39.1 billion program, the States taking care of the remainder. The first plan had a bond feature which was immediately attacked by Senator Byrd of Virginia as calculated to upset the Budget. It was the President's contention that the road proposals were separate and should not be considered as affecting the Budget. Senator Byrd, with the concurrence of many others, thought that it did not make any difference out of which pocket money came so long as it was obligated.

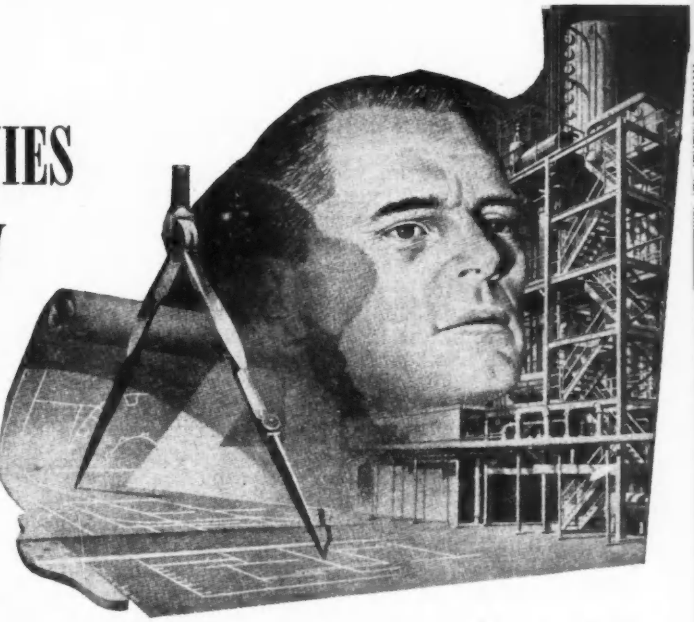
A Senate bill substituted a plan for a $12 billion contribution to an $18 billion program but that is believed dead. The latest development, following approval by the House Public Works Committee of a measure granting $48.5 billions with $12 billions to be raised by new taxes, has been a decision to reconsider the whole matter. That is a Democratic majority decision. Meantime, Minority Leader Martin announced that he would make a fresh effort to restore the President's original plan on the ground that the people should not be burdened with more taxes. The point here is that whatever is done will upset all calculations as to budgeting and taxation.

And yet, in relation to some road program, as in relation to so many other proposals, pressures are tremendous. Not only do highway users urge improved highways but Labor favors large scale public works as unemployment insurance. It must be remembered that although President Truman, in the steps of President Franklin Roosevelt, recommended vast appropriations for projects which many critics asserted tended toward the welfare state, President Eisenhower's recommendation for non-defense spending; that is, the same general type of welfare spending and, indeed, the appropriations he so far has obtained, exceeded the billions under his predecessors.

No better example of the pulling and hauling which has created so much fiscal confusion could be furnished than arose from the President's statement upon signing a public works bill. He said that the measure included many unbudgeted items and he indicated that, as the Executive, he would interrupt the spending of the funds. Whereupon Senator Morse of Oregon delivered an almost impassioned speech in the Senate in which he said: "It will be a sad day for government by law if a President is allowed to thwart the will of Congress as President Eisenhower intimated he might do in regard to certain unbudgeted items in the public works appropriation bill." (*Please turn to page* 614)



MEDIUM-SIZE COMPANIES PROFITING FROM NEW MARKETS



By J. H. PARTRIDGE

Focus of investor interest in the past few years has been on the giant companies, whose research laboratories and acquisitions gave them new products in growth industries, thus bettering their already strong competitive position. This trend in industry has created considerable concern among small and medium-size companies, which have found the going rougher as the giants moved into their once highly-restricted bailiwick. Often overlooked, however, is the fact that many small and medium firms have been emphasizing research and diversifying on their own hook, in numerous instances doing an even better job than giant corporations with infinitely greater assets. The experience of many industrial kingpins, which tackled new and remote fields, has brought more dismay than profit, with quite a few retiring from new enterprises for which they had held out high hope.

Obviously, the difficulty was even greater for medium and small companies, whose relatively slender resources permitted few or no mistakes. Yet numerous concerns of less-than-giant stature have made the grade. Complete shifts in operating areas, diversification, the opening of new markets and intensive research have been the hallmark of such companies. Undoubtedly, many medium and small companies have been forced to pay a high price for diversity, growth and modernization, bordering on the exorbitant for those whose expansion came late.

Corporate leaders in these medium and small concerns, thus, have been forced to compete with companies whose assets were far greater and assume, in addition, the risk of a costly program of changeover. Generally, they have had above-average success in stepping up their company's growth through acquisition of going enterprises and bringing into production items created in their own laboratories or through outside research. They have shown no sentimental attachment to products which have outlived their usefulness or possess only limited horizons. There have been instances in which they discarded completely the product with which the company started out in business.

Their management has felt the need to grow and diversify, lest they become an anachronism in the atomic era. Not endowed with the resources of mammoth corporations, they have nevertheless achieved excellent productive efficiency. In many instances, the great extent of change and improvement that was needed to attain a high level of efficiency underscored the fact that not too long ago production was not topnotch. Let us proceed to examine a handful of companies, whose progress has been outstanding in spite of the keen rivalry of far larger corporate combines.

Quest for New Income

Companies such as Eagle-Picher, Lion Oil and Clark Equipment, whose major assets are progressive management, scarcely qualify as industrial giants, yet their record in tapping new sources of income is especially worthy of note. Eagle-Picher, as an example, generally is catalogued by investors as a producer of lead and zinc, but in little more than two years its expansion and diversification program entailed an outlay of about $30 million. That sum is nearly equal to its net worth of $31,611,000 as of November 30, 1954. E-P has benefited materially from this program, accomplished without any increase in stock capitalization.

Lion Oil, with an annual volume of less than $100 million, does not rate as a leader of an industry whose top companies do a business in billions. Still, prudent use of its not inconsiderable resources has made that company a sizable factor in chemical manufacture. Last year, Lion completed an extensive expansion of manufacturing facilities. A new chemical installation was put into production, following by six months the completion of a major refinery expansion program which included construction of an additional catalytic cracking unit. These two projects alone required expenditure of about $37.8 million. They have substantially increased the company's capacity to produce chemicals and refined oils.

Lion and Monsanto Chemical, in late July, announced plans to merge. The proposal will be placed before stockholders of both companies in September.

Elsewhere in this issue of The Magazine of Wall

Street, we have dealt with railroad equipment, an industry that has made a brilliant comeback through acquisition of new products and development of new markets.)

Business at Historic High

Clark Equipment this year had the best first quarter in its more than 50 years of operation, thanks to its two-year-old construction machinery division. Clark is famed for its industrial trucks and automotive components, but not even these basic products can claim the swift growth of this new department. The sales objective this year is $22 million, almost double the $12 million the division turned in last year. Since Clark over-all sales for 1954 totaled only $91,105,000, it is obvious that the company looks to construction machinery as an important source of income. Sales of the company in the first three months of 1955 totaled $30,579,000, second largest ever recorded by the company and exceeding year-earlier figures by 25%. The contribution being made by the new division well may result in topping the record $124,825,000 volume achieved in 1952. It is interesting to note that construction equipment being sold by Clark is for customers with work already on the books and not in anticipation of the federal multi-billion dollar highway program. Since contractors, as a rule, don't buy equipment until they have a signed contract, a boomlet is certain if the mammoth highway program ever gets off the ground.

Clark got into this business because of its extensive experience in the design and production of complex driving mechanisms and in the design, production and marketing of industrial materials-handling equipment. After all, moving earth is materials-handling.

What differentiates Clark from so many old-time companies is its fresh viewpoint and its complete detachment from ancient products that long have nurtured the business. George Spatta, president of Clark, believes the trouble with many companies is that they cling to something till it dies and then die with it. "I'll never be caught that way," he has said. "We have no fetishes here and we'll never be too proud to drop a product." And to prove it, Clark abandoned the manufacture of industrial steel drills, its sole business when the company was organized after the turn of the century. Earnings from the drills were a source of a good share of the capital later used to get into production of such things as axles, gears, transmission and industrial fork-lift trucks. Clark has gotten out of other fields too, such as street railway under-carriages. The company had equipped some 5,000 elevated, subway and street cars with these trucks before it decided that many of its customers were headed for bankruptcy or red ink, at best.

The Little Giant

A fear not generally associated with small companies is the charge of monopoly, yet little Pitney-Bowes, maker of postage machines, would welcome greater competition, if only to keep the Feds from citing it. For P-B has garnered all but a negligible part of the postage-meter business because of its ability to envision the vast market for the product. Far larger office-equipment companies had the same opportunity as P-B, but they overlooked the item.

But P-B always has looked beyond the postage meter for other income-producing products, hence the large emphasis on research and development. The company has been spending at least 2% of its income on new-product development and thinks an increase, perhaps closer to 4%, would result in a more desirable rate of growth. P-B cost of introducing new products since 1945 has amounted to about $750,000, but these products have produced accumulated income of $20 million and are expected to return a similar sum in the next three years. If the company had not introduced a new line of machines in 1939 and had not added other new products since then, gross income last year might have been about $12 million instead of almost $35 million. Successful new products include a parcel-post mailing scale, introduced last year; components for atomic submarine Nautilus, covering mechanical and electrical elements; an electric folding machine, for use in offices; an electronic computer or "tracker" for the Air Force, component of a revolutionary navigational system, and a machine that rapidly counts money, coupons, tickets and the like.

P-B constantly is boosting expenditures for research and development. Last year, the company expended $756,000 and this year it will be closer to $900,000.

Moving Into Polyethylene

Spencer Chemical Co., whose annual volume never has reached $35 million, is another company, small alongside du Pont or Union Carbide but endowed with large vision. That company has moved into the polyethylene field with the erection of a plant that cost about $13 million. In April, 1953, after several years of study in the field of ethylene chemistry, arrangements were made with Gulf Oil Corp. for a long-term supply of this raw material and contracts were negotiated with Imperial Chemical Industries, Ltd., of England, covering patent licenses, technical know-how and the training of engineering, operating and sales personnel. The new plant went into operation this year and gave Spencer a stake in a dynamic growth industry.

Polyethylene is the waxy plastic known to consumers in the form of "squeeze bottles," semi-rigid housewares such as mixing bowls, containers and ice-cube trays along with film bags for packaging fresh vegetables and allied items. It is being used increasingly for insulation of wire and cable, for strengthening the paper in multi-wall shipping bags, for upgrading waxes and for plastic pipe. Consumption for all uses amounted to about 50 million pounds in 1948. Last year, nearly four times as much was used and sales this year are expected to reach 300 million pounds. Before World War II, polyethylene was virtually unknown. It was discovered in England by Imperial Chemical and got its domestic baptism as a defense item in 1943. The product promises to be an increasingly important source of earnings for Spencer in the years ahead.

Acquire and Diversify

St. Regis Paper Co., through a long-range program of acquisition, diversification and research, has bounded upward from a volume of little more than $21 million in pre-war 1940 to well over $200 million. For the six months to June 30, 1955, sales were at a record $112,475,000, reflecting in part

consolidation of the volume of Superior Paper Products. Superior was acquired last year. The containers of its box plants are sold to a wide variety of industries, including makers of food containers, household appliances, plumbing ware and furniture. The latest St. Regis sales figures also include the three-month sales of Michigan Panelyte Molded Plastics, acquired this year. Indeed, St. Regis has five plastic plants here and in Canada. Among the plastic products of this paper manufacturer are high-pressure laminates, injection and compression molded parts, and vacuum-formed parts.

Through research, St. Regis has increased its market for multi-wall bags. Producers of manufactured feed, as an example, have been a prime target. Their usage of paper in place of fabric bags rose sharply last year. St. Regis developed filling and closing machines and automatic scales, especially designed for this industry, which is one of the largest markets for multi-wall bags yet to be developed. Another bag, turned out for the cement industry, has proved so successful that the company has doubled plant capacity to produce the item.

Under the leadership of Roy K. Ferguson, president and chairman of the board, St. Regis has grown from an obscure paper company to a key position in this industry. This has not been done without an excellent executive team behind Mr. Ferguson. The men at St. Regis, scarcely known a decade ago, have built a strong company. They have shown a keen perception of the company's financial requirements. There is some question as to the high price the company has had to pay to grow and diversify. Certainly, St. Regis had to pay a higher price than firms that began their expansion earlier.

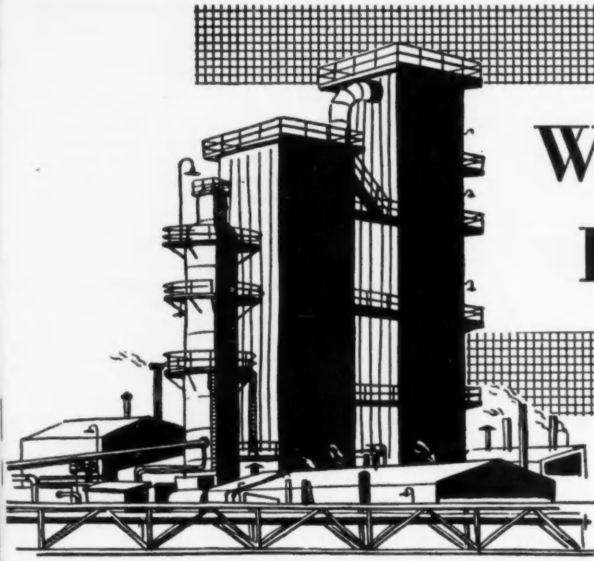
Diversified Rayonier Booms

The outstanding report for the six months to June 30, turned in by Rayonier, occasioned little surprise among those who have watched this company diversify into industries that offered great promise of growth. A recent breakdown of its over-all sales showed 32% in textile rayon, 20% paper, 15% for tire and other industrial purposes, 14% for cellophane, 10% acetate and plastics, 4% nitrocelluolose, mostly non-military, and 5% miscellaneous. Ten years ago, with far fewer products and markets, the company was doing a $26 million annual business. In the latest six months alone, sales were at $70,347,000. Even recent growth has been astounding, for in the first half of 1954, volume toted up to only $40,917,000. The stock recently was split and the dividend boosted.

Rayonier is a chemical company producing chemical cellulose from wood. Typical of its intensive research, is the recent development of a product other than cellulose, called Rayflo, which is used in oil-well drilling muds. This silvichemical product is the outcome of research initiated some years ago. However, chemical cellulose is, and probably will continue to be for some time, Rayonier's leading product by a wide margin. Customers, for the most part, are large processing companies which make a steadily widening range of cellulose products, such as rayon and acetate yarns, rayon tire cord, cellophane, plastics, nitrocellulose, vulcanized fiber, cellulose sponges and photographic paper. These manufacturers have built up their businesses through research and development aimed at (*Continued on page* 616)

10 That Grew Through Diversity, Acquisition and Product Research

Spencer Chemical	**Growth, in less than decade, of this chemical company has been outstanding. Productive facilities modern and research broad. Polyethylene project promising.**
Eagle-Picher	**Lead and zinc producer has boomed business through acquisition of Fabricon, maker of felt and other fiber products for automotive field plus varied plastic products and waxed paper and cellophane wrappers. Over-all business changed radically.**
Kaiser Alum. & Chemical	**In fiscal year ended May 31, doubled net profit on 19% sales rise. Has lowered costs, digested expansion, worked facilities at full tilt. Research has widened market for its products.**
Warner-Lambert	**Grew out of merger this year of Warner-Hudnut and Lambert, giving combination long line of ethical and proprietary pharmaceutical specialties, cosmetics and toiletries.**
Lion Oil	**Has boosted capacity to refine oils and become a sizable factor in chemical manufacture. Major expenditures for expansion and diversification should yield important benefits over near term. A merger with Monsanto Chemical slated.**
St. Regis Paper	**Has become wholly integrated producer of diversified line of paper products and become a factor in laminated and injection molded plastics. Management is outstanding, reflected in tremendous growth of business.**
Rayonier	**Growth in sales and research outstanding. Earnings and dividends moving higher, despite needs of a booming business. Volume now running about 75% ahead of year ago.**
Pitney-Bowes	**Dominates postage-meter field. Government requires firm to lease, rather than sell, product. Tops in engineering and has evolved wide variety of products for commercial and military use.**
Clark Equipment	**Medium-size company has asset in giant-type management. Alert to new markets and quick to drop old-line items that do not carry their weight. Splendid dividend record should be kept intact as company heads for peak year.**
Glidden	**80-year-old company that started with paint and got into varied fields that have paid off handsomely while getting out of products that had limited horizons. Post-war growth surpasses many companies with far greater assets.**



What 2nd Quarter Earnings Reveal

— Looking to 3rd and 4th Quarters —

Part I

By E. D. KING

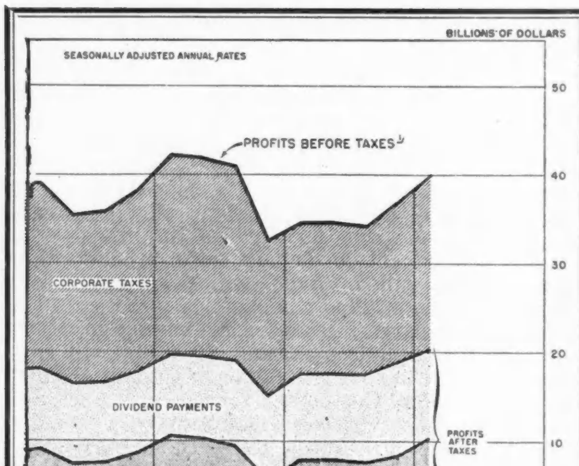
Managing Editor, The Magazine of Wall Street

The sharp speed-up of the economic pace throughout the nation, which at this writing is in approximately its 14th month since the 1953-54 "recession" petered out, is clearly reflected in the excellent corporate earnings picture for the second quarter and first half of the year, respectively. Quite obviously, a definite rising earnings pattern was established in the March and June quarters. This produced exceedingly favorable earnings comparisons as between the first and second quarters of the year and as between the first half of 1955 and the corresponding period of 1954. Comparisons between the two half-year periods are especially favorable, as the 1954 period was still marked by recessionary influences and earnings, consequently, were not conspicuously good at that time. On this low earnings base, current gains necessarily look quite large percentagewise. This must be taken into consideration if a proper perspective is to be obtained.

The accompanying table, which will be supplemented in the second part of this analysis to appear in the August 20 issue, while incomplete, offers conclusive evidence that there was a sharp earnings gain in the second quarter of the year over the first quarter. Gains ran from 5 or 10% to as high as 50% and over in individual companies. It is noticeable that the profit margin expanded which was in contradistinction to conditions last year. This is particularly significant since it occurred during a period of generally rising sales for the quarter. The net impact of a higher profit margin, which to a considerable extent, was accounted for by increasing efficiency and economies in operation, on the higher sales resulted in sharp net income advances. Since sales are not expected to increase at the same rate during the summer period, it is possible that the profit margin may decline though at a moderate rate in the 3rd quarter.

Gains For Smaller Companies

One of the more interesting features of the earnings picture is that the medium-sized and smaller companies which had rather tough sledding in the first half of 1954 are now showing a substantial gain in earnings though this is by no means uniform. Quite a number in this category still show the effects of strong competition and inability to control costs adequately. However, by and large, the smaller companies have benefited considerably from the overflow of business caused by the large expansion in sales and production of the very large corporations. Accordingly, not only has their earnings position improved but their dividends, which in some cases appeared to have had an uncertain outlook, as recently as the beginning of the year, now seem more adequately secured for the time being. This represents a definite change in the earnings pattern for these smaller companies, quite reassuring to their stockholders.



The large corporations, of course, have done exceedingly well. This holds true for the automotive companies, steel, metal, chemical, paper and practically all the other major manufacturing groups. Almost without exception, the major companies in these groups have shown substantial gains in earnings, particularly the largest automotive and steel companies.

Practically all major economic indices, with the exception of agriculture, show the effects of the strong general uplift. For example, the Federal Reserve Board Index of Production hit an all-time high of 138 in May, new records being made in both durable and non-durables. The following gives a more detailed picture:

From the low of 1954 to May 1955, in durables, primary metal production increased about 40%; fabricated metal products, 12%; machinery, 8%; transportation equipment, 20%. In non-durables, gains were as follows: textiles and apparel, 13%; paper and printing, 9%; chemical and petroleum, 12%.

In the meantime, of the three great industries—construction, automotive and steel—the two latter had very large gains in production, about 35% in both autos and steel. Construction was at the annual rate of $42 billion, a new record.

The great strength in these industries furnished the basis for the strong recovery in the others. Thus, the accessory companies made a good comeback in earnings as soon as the automotive industry got into its stride. High construction activities, of course, benefited such industries as steel, cement, building materials and glass manufacturers.

The enormous activity in the automotive field, in particular, is worth commenting on for its effect on earnings generally. All the basic industries shared in the prosperity of this industry—steel, along with the others. It may be argued from this, that industry generally, is abnormally dependent on the automotive industries and that any change in trend in this basic component of the economy will automatically affect the trend in the others. For this reason, conditions in the automotive industry are watched with the greatest interest, if not concern. The same reasoning could hold good for the construction industry except that the latter is so much more diffuse and its effects not so concentrated as is the case with the automotive industry. The point, of course, is that the continuation of the upsweep in earnings generally, cannot be taken for granted as long as one industry, as in this instance, dominates the scene. However, the automotive industry, in general, does expect a very good demand for its new cars to be ushered in in November. If this demand should fulfil expectations, the effects would be felt throughout industry. In that case, the fourth quarter earnings might top even those of the second quarter.

Depressed Industries

Of the so-called depressed industries, textiles are now staging a minor (*Continued on page 621*)2

Quarterly Sales, Profit Margins and Earnings of Selected Companies

	Second Quarter 1955			First Quarter 1955			Second Quarter 1954		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Allegheny Ludlum Steel	$ 63.1	6.3%	$2.32	$ 53.6	4.5%	$1.37	$ 39.6	2.1%	$ .44
Allied Chemical & Dye	168.7	8.7	1.62	149.4	7.8	1.29	138.6	9.0	1.41
American Cyanamid	113.7	8.0	.97	111.6	8.4	1.02	97.8	6.2	.68
Caterpillar Tractor	132.4	6.3	.98	118.8	5.9	.82	103.0	6.8	.85
Container Corp. of Amer.	52.9	7.7	1.61	49.3	7.1	1.38	47.0	8.1	1.51
Douglas Aircraft	221.0	2.9	1.78	214.8	3.3	1.93	253.0	4.0	2.78
Du Pont	469.0	....	1.21	478.8	19.5	2.01	424.0	18.4	1.66
Endicott Johnson	66.3[1]	2.2[1]	1.66[1]	....	....	....	61.9[2]	1.5[2]	.99[2]
Ex-Cello Corp.	25.9	12.2	1.77	21.3	9.9	1.25	23.0	10.0	1.37
Ferro Corp.	12.2	5.4	1.07	11.1	5.4	.99	10.8	4.4	.79
General Portland Cement	9.9	22.0	1.05	8.5	19.2	.79	8.4	20.7	.84
Johns-Manville	75.4	8.6	2.05	56.2	4.8	.86	64.8	8.4	1.71
Koppers Co.	54.1	5.5	1.43	46.0	4.0	.86	48.6	3.8	.89
Lehigh Portland Cement	20.3	15.8	1.69	11.5	12.3	.74	14.5	11.0	.84
Libbey-Owens-Ford Glass	....	....	2.07	....	....	1.78	....	....	1.27
Liggett & Myers Tobacco	....	....	1.57	....	....	1.16	....	....	1.20
Minneapolis-Honeywell Reg.	58.0	6.0	.55	56.8	6.5	.59	55.6	5.5	.49
Monsanto Chemical	105.3	7.2	.47[3]	102.1	8.5	.54[3]	86.7	6.5	.35[3]
National Tea	129.4[4]	1.2[4]	.77[4]	127.8[4]	1.2[4]	.77[4]	117.6[4]	1.1[4]	.69[4]
Parke, Davis & Co.	30.9	11.5	.73	28.8	9.8	.58	26.3	9.7	.52
Penn-Dixie Cement	12.9	17.0	.87	5.3	11.6	.29	9.3	17.0	.73
Pittsburgh Consolidation Coal	39.7	6.2	1.16	37.1	6.4	1.11	34.0	6.8	1.09
Republic Steel	307.4	7.4	1.50	263.2	6.9	1.19	218.1	6.3	.91
Rohm & Haas	42.5	11.2	4.84	38.9	10.8	4.29	34.4	9.3	3.39
Thompson Products	73.8	4.6	1.22	72.9	4.5	1.20	71.1	4.5	1.19
Union Carbide & Carbon	291.2	12.0	1.22	263.0	10.7	.98	214.1	9.5	.70
Youngstown Sheet & Tube	157.9	6.9	2.98	139.0	5.7	2.37	117.6	5.1	1.82

[1]—6 months ended May 28, 1955.
[2]—6 months ended May 29, 1954.
[3]—New stock after 3 for 1 split
[4]—12 weeks.

— ATOMIC POWER GOES TO SEA —

By "VERITAS"

ATOMIC POWER was destined to go to sea regardless of what action Congress saw fit to take on the President's plan for an A-propelled ship to visit foreign ports to dramatize peaceful uses of the new force. The story of the submarine "Nautilus" was gone around the world and, as if to establish that it is more than a daring experiment, Congress voted funds to build three more of the same type. At no time did the White House consider it had much at stake in the atom-powered merchant ship issue; it was at most a piece of propaganda, and the "Nautilus" already had made the point.

> ***WASHINGTON SEES:***
>
> Unless the next twelve months turn up a more inviting issue, the democratic national campaign of 1956 will be pitched on the "Big Business" theme that put the demmies in power in 1933 and served them well in the election that followed.
>
> Paul Butler, the party's national chairman, has publicly conceded that the North-South alliance, building for the past two years around Adlai Stevenson, is far from firm. But he professes to believe the South is persuaded that to continue Eisenhower in office is to perpetuate the control of "entrenched wealth."
>
> Rep. John MacCormack, Majority Leader in the House, becomes more specific. The Dixon-Yates incident, he says, is "symbolic" of Administration principle and intent: "Everybody now realizes that this Administration is being conducted not only by big business, but by big, big business."
>
> The arsenal is loaded, says the Capitol Hill democratic chieftain. He mentions a $2 billion contract with American Tel & Tel in connection with our continental defense; describes it as "one of those hidden contracts" which the GOP will be called on to explain to the voters.
>
> Clouding the democrats rosy outlook is Geneva and what follows. McCormack sums it: "If what comes out of it is real sincere success, why, of course, there is going to be a decided advantage for the President and his party."

"TAFT MAN" has several meanings in Washington legislative and political circles and the connotations take on new interest with appointment of John B. Hollister, "Taft Man," as director of foreign aid. The title is complimentary when used to suggest familiarity with government operations, finance, general prestige. It can also mean ultra-conservative. Conceding Hollister, former House member and Taft law partner, has government know-how, how does he rate on conservatism? He termed the Wagner Act and the Social Security Act probably unconstitutional; voted against the "holding company" act, reciprocal trade treaties, and others.

HOLLISTER IDEAS are much too far to the "right" to please a majority of the present Congress but the cooler heads agree a balance wheel is needed. The appointee served with Herbert Hoover on the commission to feed Europe after World War I, and must be granted successful experience if only on that score. On the other hand he sponsored the "Buy American" program, helped get in through Congress. His background suggests the selection was made with the hope he'll be an instrument to ending foreign aid.

STEELWORKERS are expected to be the latest addition to the growing group of labor organizations having multi-million dollar headquarter "palaces" in the Capital. Teamsters were the most recent to open their's—a $3 million building, said to have been paid for in cash. The steelworkers have doubled realty holdings in the center of the Capital. They, too, can readily pay cash: as of July 1, the union's net worth was $17,626,332—up $607,106 in six months.

As We Go To Press

Keeping an eye on developments in the wake of auto and steel wage boosts, government economists are watchful. Industry will be under surveillance to insure that pay boosts aren't used as an excuse to jack up selling prices beyond justification -- an elastic term. The effect of a 5.8 increase in steel prices will be felt by different industries with varying effects. If the wholesale price index goes up over one-fourth of one per cent, the Federal sleuths will begin tracking.

A downsweep of agricultural prices is bound to be reflected in the general index. As of late July it appeared more than likely that this drop might offset the steel-induced rise elsewhere. Other forces are at work and their influence is being felt. One of the principal of these is competition. The automobile and home appliances trades are major steel users but they are always in strong, if not fierce, price competition. And, unlike the customers of the agricultural product, their patrons make infrequent purchases, therefore the price fluctuation is not generally noted in a home budget. Construction, especially industrial construction, is the heaviest steel user. It's a field whose reactions are gradually felt: there is no immediate sign of harm from pay increases, but when letting of new contracts begins there could be a sharp reduction in number, of size, of industry plant expansion.

The top price analyst of the U.S. Department of Labor, Aryness Joy Wickens, summed the status: "The price indexes for the last three years have been gratifyingly stable despite the ebb and flow of economic forces." She points out, for example, that the wholesale price index has moved within a range of 109 to 112 per cent of its 1947-1949 average since 1952 and the consumer price index has moved within a range of 113 to 115 1/2 per cent. This is the kind of record which makes economists go over and over the data in search of apparent error. But none exists. Just as depressions seldom are localized (the Democratic National Committee claimed otherwise in the Hoover Administration days), the stability pattern is almost global. The Bank for International Settlements asserts: "By the beginning of 1955, the great majority of the countries of Europe, as well as many in other parts of the world, had enjoyed three years of generally rising consumption combined with a relatively stable level of prices."

Desegregation, like Reconstruction of almost one century ago, seems likely to create Congressional trouble for years to come. Possibly the Supreme Court foresaw a furor to follow its ruling that publicly-supported schools must be open to all regardless of skin color, and that may have accounted for the "go slow" mandate to the States. But it is hardly likely that the Justices saw the racial issue a potential ingredient of too many Capitol Hill business items. It has delayed creation of a strong reserve arm in the national defense setup, and it has killed off an effective housing program. Now it has entered into qualifications for the judiciary. Because Solicitor Simon E. Sobeloff appeared before the Supreme Court in support of integration, his nomination to be a Federal judge was opposed by Senator Thurmond. Ascribed basis of the attack was lack of respect for State's Rights in the integration case -- in which he presented the position of Attorney General Brownell, and, presumably his Chief, the President.

The heat will be off Congress to revise upward the social system of unemployment insurance and old age assistance under the administration by Marion B. Folsom of the Department of Health, Education and Welfare. The newest Cabinet member, shifted from the Treasury Department to succeed Oveta Culp Hobby, presents something entirely new in the way of a Cabineteer. That may be something of a paradox since Folsom has ben around Washington more or less for many years. But

there are contradictions in his makeup and performances, perhaps best described by the description he bears, "a social-minded businessman," which he complicates by insisting he knows nothing about the new job when, the record shows, he's expert in part of the field.

The accent on such major problems as Salk Vaccine and overcrowded public schoolhouses tends to bring H-E-W into focus as a bureau of sociology and abstract science. It is that and much more: it is an agency whose performances reach into the operating capital of every employer and has the potential to create havoc in the payroll department and at the collective bargaining table. Mrs. Hobby was without professional experience in the area of finance; Folsom has it in abundance.

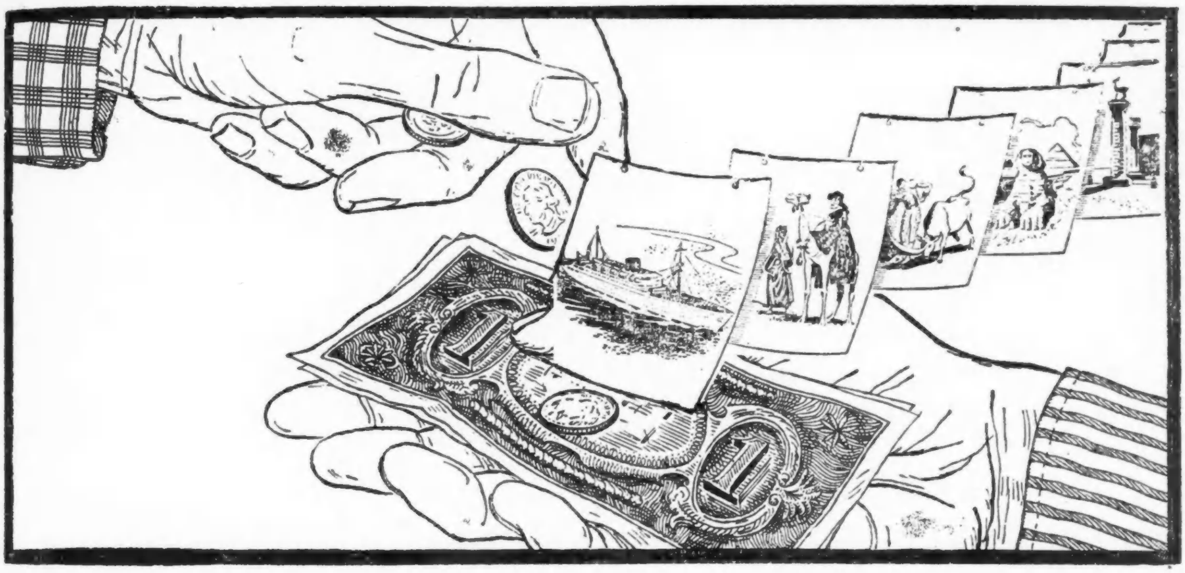
Because the new Secretary's expertness on H-E-W matters is confined to the unemployment and old-age benefit departments (he was a principal architect of the system, under an FDR appointment) he will concentrate on learning about health and educational problems. That means he will not place himself in the position of advocating, or opposing, broad social security programs before Congress. He feels those subjects have had the attention essential to getting them launched and he favors permitting them to work their own solutions, rather than subject them to constant meddling. Because of his eminence in the field, it is not likely that Capitol Hill will lightly reject his proffers of guidance.

The Administration has gone out of its way to invite trouble from Congress. Defense Secretary Wilson's defiance of the law makers, implicit in his announcement that the Marine Corps will be numerically cut, Congress' orders to the contrary notwithstanding, means "war." It was not a matter of simple economy when the Congressmen made their decision that the Corps should remain at present complement; the decision came after long consideration, searching debate, and it was based on a general agreement, not particularly tempered by politics. It involved defense policy, not whim. In addition to effecting very slight economy, the overall amount of defense spending taken into consideration, it is sentimentally bad and the Marine Corps has many friends plus, as Harry Truman once correctly observed, a vast publicity machine.

It was especially unwise to take this step now, many Administration supporters are convinced. It has been obvious for months that the democrats plan to make management of the defense effort a campaign issue -- mismanagament, they say. The ammunition is piling up. Secretary Wilson has let his guard down several times. His comment which appeared to imply that the Nation can very well enjoy the benefits of a trickle down from General Motors, or that what's good for GM is good for US, is a prized exhibit in the demmies trophy room. His "kennel dog" remark was money in the political bank.

Robert Stevens muffed the grand opportunity and the record is official -- in the Senate committee report -- that he was less than a success as Secretary of the Army. Air Secretary Talbott's entanglement which is being built up to a "conflict of interest" case involving his private business and public responsibilities will be used, probably with many references out of context. To defy Congress at this point, especially when the probability of important gain is remote, does not smack of advice from the politics-minded Cabinet members. This is a damaging array of argument, but if Ike's visit to Geneva moves the world a single step toward peace, the arguments will be forgotten.

Drive on Capitol Hill to keep dollar-a-year, and w.o.c. (without compensation) experts out of government offices is a sign of the times -- good times. These civilians, like Kipling's Tommie Atkins, are scored in peacetime and when emergency is not threatening, but are welcomed with open arms when times are bad, economically or militarily. There's suspicion that the new effort, like those which preceded it, is intended to sustain the Democrats' argument that the Administration permits business and industry to get an inside track on government contracts by lending experts to government.



HOW NEAR ARE EUROPEAN CURRENCIES TO DEVALUATION?

By V. L. HOROTH

During the past few years, the late summer months seem to have been the time of year when rumors of "foreign currency devlauations" or of "impending convertibility moves" were usually flying around thicker than usual. There is a perfectly natural reason for this. The month of September has the reputation of being the month of momentous currency changes, a reputation that it acquired in 1931, 1939, 1947, and above all in 1949. September is also the month during which finance ministers and central bank heads from all over the world gather at the annual meetings of the International Monetary Fund and the World Bank. Policy decisions are usually formed behind the scenes, and there is a good reason to believe that this year's meetings, to be held in Istanbul, will produce some decisions regarding the convertibility of a number of Western European currencies.

This summer is having its full share of currency rumors. Among the most persistent is one to the effect that *the pound sterling* is to be devalued prior to its full convertibility. A number of official denials have been issued including a very categorical one made recently in the House of Commons. The *Danish krone* and the *Finnish markka* are supposed to be on the verge of devaluation and as is the *Turkish lira.* The *French franc,* being grossly overvalued is, of course, a perennial candidate for develauation.

Among the non-European currencies, the following are listed as prospects for devaluation: the *Australian pound,* the *Pakistani rupee,* the *Indonesian rupiya,* the *Burmese kyat,* which was devalued not long ago, but may be lowered further, the *Japanese yen,* and the *Korean won.* According to rumors, the cumbersome multiple currency systems now in force in various South American countries may be scrapped at some future date as a last desperate measure to stop the spiralling rise in prices. This would mean that eventually the *Argentine peso,* the *Chilean peso,* the *Brazilian cruzeiro,* and possibly even the *Colombian peso* would be allowed to seek their levels. Concern is also expressed about the future of the *Philippine peso* and the *Cuban peso.*

While most everybody agrees that Western European countries are steadily moving toward the condition of full convertibility of their currencies, there is a considerable disagreement on the steps that are to be taken prior to convertibility. The British insistence on wider margins above and below the official parity for sterling is meeting opposition from those Continental countries which have been ready for full convertibility for some time now. The British attitude is also holding up the reorganization of the European Payments Union which is to expire on August 1, 1955. The situation is complicated by the fact that the Scandinavian countries are even more hesitant about convertibility than Great Britain and that France and Italy are also opposed to anything that would weaken the system of defenses and controls with which they maintain a fair equilibrium in their international payments.

Recent sales of Russian gold, if anything, added to the confusion about the inherent strength of individual Western European currencies. Since most of the East-West trade is nowadays conducted in sterling, the Russian gold sales were expected to strengthen it. But sterling has remained persistently weak indicating that the pressure on the pound may be due to a fundamental disequilibrium in British payments. It may also indicate a flight of capital, since many people are interpreting the widening of the margins as tantamount to devaluation. In this respect, the recent move of the Chancellor of the Exchequer to tighten up on consumer credits is significant.

GOLD PRODUCTION AND DISPOSITION (In Millions of Dollars)	1951	1952	1953	1954	1955 Est.
Gold Production	840	865	860	910	960
Sales by Russia			75	50	125
Private dishoarding (net)					15
Total supply	840	865	935	960	1,100
Industrial uses	140	180	170	180	200
Private hoarding (net)	550	375	335	140	......
Total non-monetary demand	690	555	505	320	200
Increase in monetary reserves of the Free World	+150	+310	+430	+640	+900

Source: 1951-54—Bank for Int. Settlements; 1955—our estimate

It is no exaggerated claim that Western Europe as a whole has never been more prosperous nor in a better shape financially. Her industries are producing goods at a rate some sixty-five per cent above prewar. She is more nearly self-sufficient in food than she has ever been, and her gold and dollar reserves are still rising.

Strains and Stresses in Western Europe

Yet this is only one side of the story. The economic boom that has now lasted for almost three years, has produced a multitude of strains and stresses which if unheeded may put some of the Western European countries back on the path to inflation. In most of the European countries the available resources, including labor reserves, are being utilized to the hilt. There is no slack left. Bottlenecks have appeared in the transportation facilities, in electric power, coal, steel and elsewhere. To overcome them Western Europe must import more fuel and step up her investments in new plants and mines. Meanwhile, however, European labor, which has greater purchasing power than ever before, is bidding for available resources. Prices are rising and the goods that should be exported are being sold in home markets. With imports mounting, international payments positions have become tighter. In the case of Western Germany, where the building of a new army is an additional charge on the economy, the earlier surpluses have been reduced. In Austria and Greece, the surpluses have been almost wiped out, and in still other countries, notably in Great Britain and Scandinavia, the surpluses in international payments have given way to deficits.

Scandinavia Living Beyond Its Means

The problem of living beyond one's means and thereby causing pressure on international payments is perhaps most apparent in the Scandinavian countries, where the Socialist Governments have continuously pursued policies of full employment and economic expansion. Denmark, for example, ran up its obligations to the European Payments Union so much that they almost equalled its gold and foreign exchange reserves. To correct the situation Denmark applied drastic corrective measures—raising of the discount rate, cuts in public and private expenditures, and in defense spending, and the severe taxing of motor vehicle imports. But the desired results, in particular the easing of foreign payments pressure have been rather slow in appearing and this has, no doubt, given rise to rumors that the Danes will have to resort to even more drastic measures, including currency devaluation.

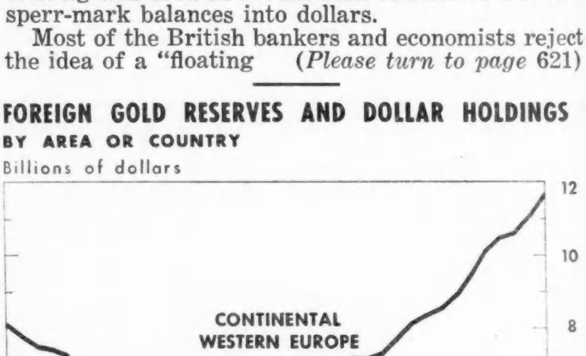
Other Scandinavian countries, Sweden, Norway, and Finland, also suffer from overconsumption at home, and all of them would be in a much more precarious situation if it were not for the fact that the all-European boom is keeping up the demand for their products and services (shipping). In all the above countries, the Socialist Governments are now turning to more orthodox policies of restraint and flexibility in order to avoid an inflationary rise in prices, which for example, in Finland poses a rather serious threat. In fact, Finland may be forced to devalue its markka if the prices or the demand for lumber and paper products should slump. Certainly none of the Scandinavian countries is in a position to resume even a modified convertibility until the corrective measures which are now being applied, produce a more lasting equilibrium in their international payments.

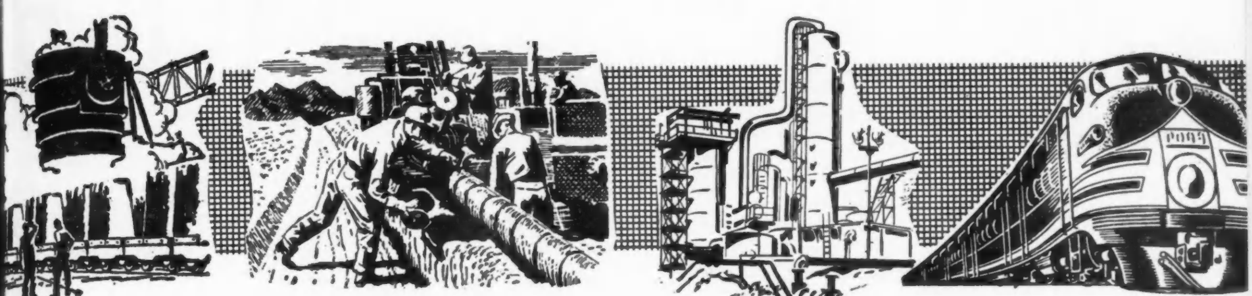
Britain Backs Up A Flexible Convertibility

The economic situation in Great Britain is more flexible than in Scandinavia, thanks to the re-introduction of a free market economy by the Conservative Government, but not flexible enough. As the London Banker pointed out recently, Britain has a one-way economy—its prices and costs are adjustable upwards but never downwards. To keep such an economic organization going, a certain amount of flexibility in exchange rate is deemed essential. Another argument in favor a greater flexibility is that the pound sterling has "international responsibilities". It reflects the ups and downs of all of the sterling area currencies. For example, in recent months it was influenced among other things by the strength of the Ceylonese rupee and the weakness of the Australian pound. Because of the banking machinery of London, sterling is also usually the medium through which balances in other currencies can be converted into dollars. For example, sterling was used as the medium to convert German sperr-mark balances into dollars.

Most of the British bankers and economists reject the idea of a "floating (*Please turn to page* 621)

FOREIGN GOLD RESERVES AND DOLLAR HOLDINGS
BY AREA OR COUNTRY
Billions of dollars





1955 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for: Elect. — Railway — Office — Farm Equipment

Part III

The brilliant record made by business in the first half of the year seems likely to be duplicated in the second half but, in consideration of the extraordinary high plateau of business activity already reached by July, it would be close to a miracle if the same rate of gain could be achieved during the balance of the year. The favorable business background and outlook naturally has important implications with respect to future earnings and dividends. It should not be assumed however, that all industries are in an equally prosperous condition, despite the general speeding up of the economic pace. Some, such as coal, textiles, furniture and farm equipment which had experienced varying degrees of recession up to recently, are now showing signs of recovery but are still rather distant from substantially profitable operations. On the other hand, the major basic industries, such as steel, automobiles, public utility and such miscellaneous industries as rubber & tire, airlines, drugs and electronics are extremely active and give every indication of maintaining a high rate of profits until the end of the year.

Although the present large volume of business and satisfactory outlook has logically laid the foundation for expectation of an increase in the total amount of dividends to be paid this year, with numerous increases anticipated, the investor should be aware that during the first half a number of companies had already raised their dividends and that no further similar action is likely on their part during the next few months. On the other hand, there is an even larger number of companies in a highly prosperous condition which have thus far not increased their dividend rates though this clearly would be justified on the score of rising earnings.

The investor, in estimating dividend prospects, would do well not to raise his expectations indiscriminately, merely because the general dividend trend is up. He would do well to limit himself to an exploration of dividend possibilities among those companies with a steadily widening margin of earnings over dividends and which have not yet taken action to raise their dividends. It is also wise to recognize that a minority are still in uncertain dividend position which can lead to unfavorable action.

Subscribers and readers will be particularly interested in the ratings appended to each stock in the tables and individual comments. Ratings have been arranged to give the greatest practical service with respect to defining investment position and prospects for appreciation and income of the individual stock.

A) *A High-grade investment quality.* This includes stocks only of leadership quality, which meet in the highest degree the requirements of superior management, established position in the industry, substantial financial resources, proven record of earnings and dividends, and assured outlook for the long-range future.

B) *Good-grade.* This is limited to stocks which do not belong in the above category on all counts, but nevertheless represent soundly managed progressive companies, though of somewhat lesser investment grade.

C) *Speculative but improving.* Stocks mainly in cyclical industries, or which represent "marginal" companies.

D) *Unattractive.* Companies with a poor or irregular record.

To further assist our subscribers, we have added the symbols [1], [2], and *.

[1] These stocks appear to have better-than-average appreciation potentials, though this necessarily varies.

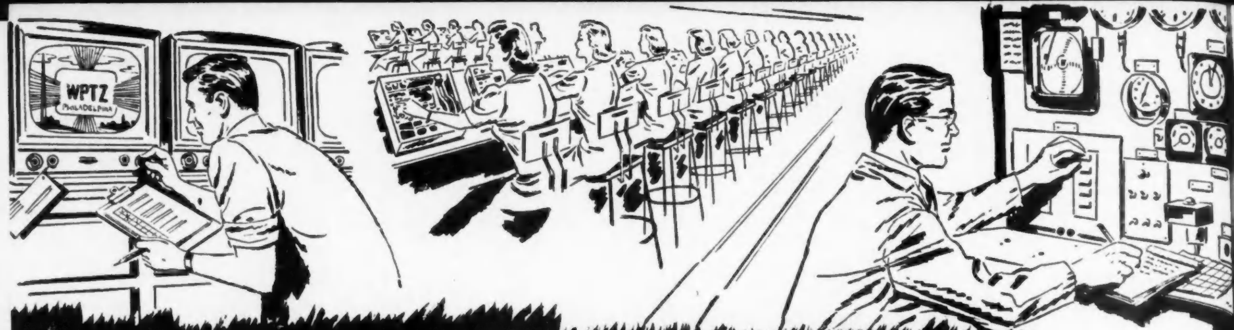
[2] These selective issues are limited mainly to stocks in "A" and are suited mainly for investors whose portfolio demands the best-grade growth stocks.

* This applies only to a limited number of stocks and which seem to possess the most attractive market potential of its group at this time.

Industries Featured in Mid-Year Forecast

— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Rail, Elect., Farm, Office Equipments—Building —Machinery — Specialties — Steel —Auto & Tires — Accessories — Aircraft — Airlines — Bus & Truck — Shipping — Metals — Petroleum — Chemicals & Drugs — Paper.



MIXED TREND IN ELECTRICAL EQUIPMENTS

By GEORGE S. MERTON

The electrical industry numbers its products in the hundreds of thousands and includes companies that make just about everything (General Electric turns out 200,000 products) and companies that produce a single item (fuse or toaster), hence the problem of discerning a clear-cut trend is a monumental chore. Despite their great diversity, however, they share in common the pattern of growth, achieved through research, promotion and the richest market in history.

Companies with the greatest product mix appear to be faring best, while concerns confined to the manufacture of television sets and kitchen appliances are feeling the effects of bitter competition, bred by widespread saturation of markets, and a "squeeze" arising out of the greater cost of labor, materials and transport unaccompanied by any rise in the price of their products. Thus, Philco, a leading manufacturer of radio-TV and other household appliances, has stated flatly that rising costs of steel and other raw materials will result in higher retail prices for appliances. Mullins Manufacturing already has increased by 10¾% the prices on its Youngstown line of kitchen appliances. The company noted it was the first price rise in five years, during which it resisted the pressure of increased costs, but that it now was forced to yield. The Norge Division of Borg Warner, on the other hand, has indicated it will go on "eating" the higher costs.

We shall deal at length subsequently with that segment of the industry that produces TV sets, air-conditioning equipment and hundreds of other appliances. There are other vital sectors in this field, where products range from paper-clip size transistors that displace vacuum tubes all the way up to giant hydro-generators that weigh upwards of 1,200 tons. Indeed, along with the aircraft industry, the electrical manufacturers are the top defense suppliers and the pioneers in the post-war development of atomic energy. Let us examine the diversified growth of this industry, born of Thomas A. Edison's electric lamp.

Electrical Equipment

A trillion kilowatt-hours of electricity, it is estimated, will be used in this country by 1965. This compares with 410 billion kwh used last year. The role of the industry in the decade ahead, as in the past half century, will be that of helping utility companies meet the increased demands, both by adding new productive facilities and by developing new and better equipment for generating and distributing electric power. Electricity, in a manner of speaking, has grown to its present stature because it has remained on the bargain counter. While the cost of living, generally, has soared 93% since pre-war 1939, the cost of electricity over the same period has gone down 3%. Compared with 1939, the food dollar today is worth about 42 cents and the clothing dollar is worth roughly 51 cents. In contrast, the electrical dollar has risen to $1.03.

Continuing research and development by utilities, makers of electrical equipment and producers of associated equipment have been required to produce this result. As an example, turbine-generator efficiencies have been constantly improved. In 1939, the average power plant required 1⅓ pounds of coal to produce a kwh. Turbines now being turned out develop one kwh from ¾ pound of coal. At the other end of the product scale is the fluorescent lamp, which was just being introduced to the public in 1939. The light output of a modern fluorescent is nearly 11 times as great as the incandescent lamp used for general lighting purposes only 16 years ago.

TV, Temperatures, Toast

People are doing far more today than buying electricity just to light their homes and power their

Position of Leading Electronic & Electrical Equipment Companies

	Full Fiscal Year: Net Sales 1953 (Millions)	Net Sales 1954 (Millions)	Net Profit Margin 1953 %	Net Profit Margin 1954 %	Net Per Share 1953	Net Per Share 1954	1st Quarter: Net Per Share 1954	Net Per Share 1955	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
ALLIS-CHALMERS MFG. .... W.C. (mil.) '53—$207.9 W.C. (mil.) '54—$263.7	$ 514.4	$ 492.9	4.2%	5.2%	$6.58	$7.20	$1.68	$1.47	$4.00	$4.00	81⅛-45⅛	73	5.4%
AVCO MFG. CO. .... W.C. (mil.) '53—$86.7 W.C. (mil.) '54—$89.0	428.3	375.4	8.0	9.6	.34	.37	.33[3]	.03[3]	.10	.20[6]	8¼- 4⅝	7	2.8
BLACK & DECKER .... W.C. (mil.) '53—$13.2 W.C. (mil.) '54—$16.3	35.6	35.1	7.4	8.0	6.49	6.66	3.21[1]	3.71[1]	2.00[7]	2.00	73½-36½	70	2.8
CARRIER CORP. .... W.C. (mil.) '53—$31.6 W.C. (mil.) '54—$64.2	164.4	151.4	3.7	4.5	4.19	4.69	2.26[2]	2.09[2]	2.00	2.25	64¾-46¾	54	4.1
CUTLER HAMMER .... W.C. (mil.) '53—$12.3 W.C. (mil.) '54—$15.5	62.4	54.1	6.0	7.5	5.69	6.20	1.98	1.74	3.00	3.40	78¾-39	73	4.6
ELLIOTT CO. .... W.C. (mil.) '53—$19.8 W.C. (mil.) '54—$18.3	42.5	38.9	5.9	4.4	4.17	2.67	.92	(d) .01	1.60	1.00	31⅞-21⅝	22	4.5
GENERAL ELECTRIC .... W.C. (mil.) '53—$370.3 W.C. (mil.) '54—$323.7	3.128.1	2.959.0	5.3	7.2	1.92	2.45	.56	.58	1.47	1.60	56¾-29	52	3.0
GENERAL PRECISION EQUIP. .... W.C. (mil.) '53—$18.6 W.C. (mil.) '54—$41.4	87.7	123.3	3.9	4.4	5.09	5.54	1.48	.90	1.90	2.40	71½-25	50	4.8
INT. TEL. & TEL. .... W.C. (mil.) '53—$156.2 W.C. (mil.) '54—$180.5	362.1	372.6	6.1	5.4	3.12	2.80	.68	.73	1.00	1.15 1.40	29⅜-13⅞	29	3.9
MASTER ELEC. .... W.C. (mil.) '53—$7.2 W.C. (mil.) '54—$6.8	19.1	18.6	7.0	7.2	2.24	2.24	.55	.48	1.60	1.60	26½-18	24	6.6
MAYTAG CO. .... W.C. (mil.) '53—$20.4 W.C. (mil.) '54—$19.4	89.0	81.0	7.2	8.3	3.53	3.68	.69	1.32	2.00	2.00	34¾-17⅛	34	5.9
McGRAW ELECTRIC .... W.C. (mil.) '53—$30.5 W.C. (mil.) '54—$34.3	121.2	132.8	5.7	7.0	3.45	4.59	1.28	1.05	2.00	2.00	58 -34⅛	49	4.0
MINNEAPOLIS HONEYWELL REG. W.C. (mil.) '53—$77.4 W.C. (mil.) '54—$82.8	214.0	229.4	7.1	6.6	1.66	2.42	.63	.59	1.30	1.50	70 -33½	60	2.5
RAYTHEON MFG. CO. .... W.C. (mil.) '53—$22.5 W.C. (mil.) '54—$29.3	179.3[9]	177.0[9]	2.1[9]	2.0[9]	1.53[9]	1.39[9]	1.07[4]	1.44[4]	[8]	(NA)	25¾- 7¾	21	....
ROBERTSHAW-FULTON .... W.C. (mil.) '53—$19.7 W.C. (mil.) '54—$19.9	57.6	58.2	4.6	6.3	1.90	2.46	.49	.68	1.50	1.50	34⅜-17⅝	30	5.0
SPERRY-RAND	....	....	....	....	....	....	....	....	....	(NA)	29⅝-22⅜	25	....
SQUARE "D" .... W.C. (mil.) '53—$20.8 W.C. (mil.) '54—$21.8	62.3	55.8	7.0	8.3	3.01	3.40	.94	.91	2.05	2.50	52 -24¾	44	5.6
SUNBEAM .... W.C. (mil.) '53—$22.6 W.C. (mil.) '54—$25.9	78.2[5]	90.1[5]	7.8	7.6	3.11[5]	3.41[5]	....	....	.67[7]	.75	63 -30½	58[10]	1.3
TUNG-SOL ELECTRIC .... W.C. (mil.) '53—$ 9.3 W.C. (mil.) '54—$14.8	40.0	39.0	4.4	5.3	3.07	3.16	.78	1.09	1.25	1.25	33½-16¼	29	4.3
WESTINGHOUSE ELECTRIC .... W.C. (mil.) '53—$629.7 W.C. (mil.) '54—$692.1	1.582.0	1.631.0	4.7	5.1	4.53	5.06	1.61	.75	2.50	2.50	83¼-50⅛	65	3.8
YORK CORP. .... W.C. (mil.) '53—$27.6 W.C. (mil.) '54—$32.4	82.7	93.2	3.3	3.1	2.46	2.12	1.00[1]	(d) .04[1]	1.25	1.25	27⅞-21⅛	21	5.9

W.C.—Working capital.
(d)—Deficit.
(NA)—Not available.

1—6 months ended Mar. 31.
2—6 months ended April 30.
3—6 months ended May 31.
4—9 mos. ended Feb. 28.
5—Years ended Mar. 26, 1954 & 1955.

6—Paid to date.
7—Plus stock.
8—Paid 10% stock.
9—Year ended May 31.
10—Distrib. 1 share for each 2 shares held effective 8/15/1955.

(Note) No pro-forma operating data available on Sperry-Rand Corp., after merger.

factories. The "juice" now generated for the family hearth provides comfort and entertainment around the clock. We are stirred in the morning from beneath electric blankets by an electric alarm clock, which quite often turns on the radio while toasting the bread. While the master of the house is getting an electrical shave, the bulk of the breakfast menu is being moved out of the electric refrigerator and the electric range has gone into action. Depending on the season, the power is generated for heating and cooling the home. Clothes are laundered and dried, dishes washed and garbage liquidated—all electrically.

With the breadwinner off to work and the children in school, the television set, like as not, will be turned on and continued in use through much of the day and evening ahead. There are nigh on to 37 million of these sets around the country and even more radios, one of which probably provided music and news for the man en route to work. Indeed, no story can bring home the manifold uses of electricity like, for instance, an electrical storm that knocks out power lines. Only then does the average person realize how completely dependent is our society on electricity.

Heavy Equipment

The types of product cited in the foregoing are familiar to the populace and they provide the bread and butter for the bulk of this sprawling industry. But only a few of the manufacturers in this field turn out the giant apparatus bought by the utilities. Heavy turbines and the apparatus utilized in construction of generating facilities require months, and sometimes years, to produce and install. Revenues run into hundreds of thousands of dollars for individual units. Thus, prospects of expansion or modernization of power generating stations is a vital factor to companies such as G. E., Westinghouse Electric Corp. and Allis-Chalmers. With power consumption expected to increase nearly threefold in the decade ahead, it is obvious that such companies are calculated to be prime beneficiaries of this growth.

World's largest steam turbine-generator unit, rated 300 thousand kw, has been ordered from Allis-Chalmers by Detroit Edison for its new River Rouge plant. For G. E., 1954 sales of its apparatus section were about equal to those of 1953. Commercial sales held constant, but defense business was down slightly. New orders received for turbines and other large equipment during the final quarter equaled those placed in the first eight months. Expansion of such facilities by G. E. last year included completion of a medium power transformer plant and starting of construction of plants for production of specialty and industry controls. At G. E., large electrical equipment includes locomotives.

Atomic Equipment

Through research, these companies have extended their frontiers, delving into almost all branches of the physical sciences. Westinghouse, as long ago as 1937, pioneered in atomic fission by building its own atom smasher to study the nature of matter. It came as no surprise, therefore, when the Government designated Westinghouse to provide the nuclear reactor and associated propulsion equipment for the submarine Nautilus, launched last year. Westinghouse also was awarded a contract by the Atomic Energy Commission to build a nuclear reactor for the nation's first full-scale atomic power plant, to be operated by Duquesne Light Co.

Nuclear power on a commercial scale also was brought several steps closer in 1954 with Allis-Chalmers being selected to develop and build apparatus for two A.E.C. major power reactor projects. Atomic developments to which G. E. contributed in 1954 include work on construction of a prototype nuclear propulsion plant for the submarine Sea Wolf and studies, under Government contract, for a more advanced nuclear power plant for another atomic submarine. G. E. also continued research and development work on nuclear aircraft propulsion and established new reactor test facilities. The year was marked by growth of the Hanford Atomic Products Operation in Richland, Wash., to be a billion-dollar investment managed by G. E. for the Government under contractual arrangement with the A.E.C. for $1 for the term *(Please turn to page 616)*

Position of Leading Television Companies

	Full Years						1st Quarter		Dividend Per Share				
	Net Sales 1953 (Millions)	Net Sales 1954 (Millions)	Net Profit Margin 1953 %	Net Profit Margin 1954 %	Net Per Share 1953	Net Per Share 1954	Net Per Share 1954	Net Per Share 1955	1954	Indicated 1955	Price Range 1954 - 1955	Recent Price	Div. Yield
ADMIRAL CORP. W.C. (mil.) '53—$45.2 W.C. (mil.) '54—$48.6	$250.9	$219.5	3.2%	3.0%	$3.48	$2.78	$ .64	$ .52	$1.00	$1.00	30¼-18¼	23	4.3%
COLUMBIA BROADCASTING "A" W.C. (mil.) '53—$31.0 W.C. (mil.) '54—$48.8	313.9	373.3	2.2	3.0	1.27	1.56	.41	.53	.63[5]	.76	32⅝-13⅞	27	2.7
DU MONT (A. B.) LAB. "A" W.C. (mil.) '53—$14.5 W.C. (mil.) '54—$22.1	91.4	91.9	1.6	8.2[1]	.60	3.17[1]	.20	(d) .02	....	....	17⅛- 9⅛	15	....
MAGNAVOX CO. W.C. (mil.) '53—$7.1 W.C. (mil.) '54—$6.6	57.9[2]	62.9[2]	3.9[2]	3.3[2]	2.93[2]	2.77[2]	2.68[3]	2.65[3]	1.50	1.50[5]	37¾-16⅛	35	4.2

Position of Leading Television Companies (Continued)

	Full Years: Net Sales 1953 (Millions)	Net Sales 1954 (Millions)	Net Profit Margin 1953 %	Net Profit Margin 1954 %	Net Per Share 1953	Net Per Share 1954	1st Quarter: Net Per Share 1954	Net Per Share 1955	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954 - 1955	Recent Price	Div. Yield
MOTOROLA	$217.9	$205.2	3.2%	3.6%	$3.66	$3.91	$ .85	$1.11	$1.50	$1.50	60¾-30¼	52	2.8%
W.C. (mil.) '53—$38.2													
W.C. (mil.) '54—$38.3													
PHILCO CORP.	430.4	349.2	4.2[4]	1.9	4.86[4]	1.70	.63	.62	1.60	1.60	43⅜-28	37	4.3
W.C. (mil.) '53—$54.6													
W.C. (mil.) '54—$53.1													
R.C.A.	848.8	938.1	4.1	4.3	2.27	2.66	.66	.84	1.20	1.35	55⅜-22½	51	2.6
W.C. (mil.) '53—$228.9													
W.C. (mil.) '54—$234.8													
SYLVANIA ELECTRIC	293.2	281.6	3.2	3.3	3.10	2.93	.67	1.03	2.00	2.00	49⅞-31⅞	46	4.3
W.C. (mil.) '53—$88.8													
W.C. (mil.) '54—$85.1													
ZENITH RADIO	166.7	138.6	3.3	4.0	11.44	11.53	1.68	4.21	3.00	3.75	134 -63½	114	3.2
W.C. (mil.) '53—$24.4													
W.C. (mil.) '54—$27.4													

W.C.—Working capital.
(d)—Deficit.
1—Includes net capital gain equal to $2.85 per share.
2—Year ended June 30.
3—9 months ended March 31.
4—Includes net capital gain equal to $1.43 per share.
5—Plus stock.

ELECTRICAL EQUIPMENTS

Allis Chalmers: Maker of large-scale electrical equipment with a major stake in farm equipment. Company also is emerging as important factor in atomic field. A[1]

Avco: Considerable diversification, with major emphasis on appliance line. Sales for latest six months sharply lower. Sustained deficit in latest three months. Price weakness in TV business hurting. D

Black & Decker: Continuance of stock dividends, usually paid at year-end, is envisaged for this leading producer of portable electric tools. Do-it-yourself trend has aided this maker of home-utility tools. B[1]

Carrier: Volume and profits tend lower for this leader of air-conditioning field. Company has achieved better-rounded line with acquisition of Affiliated Gas Equipment. B[1]

Cutler-Hammer: This maker of motor-control devices should boost sales from 1954 level, when its business from Government sources fell 26%. Rising labor and materials costs unaccompanied by price increases hurtful. B[1]

Elliott Co.: Maker of turbines, turbo-chargers for diesel engines, electric generators and motors and other types of heavy industrial power-plant equipment. Shipments down, small loss sustained. D

General Electric: Kingpin of the industry, its 200,000 products give it a stake in almost every industry. With one exception, its rate of growth is unequaled by any company. A sustained rise in shares has discounted much of current growth. A[1]

General Precision Equipment: Sells motion picture theatre equipment and supplies along with wide range of precision instruments for defense and industry. Volume at record level. B[1]

International Tel. & Tel.: Moved away from dependence on overseas communications to become one of the giants of electronics field with a broad base. Has placed great emphasis on wide range of appliances. B[1]

Master Electric: Sales of this producer of electric motors remain little changed, but net has been in decline. Dividend cover is ample and should be maintained as balance of 1955 promises sizable improvement. B[1]

Maytag: A top producer of laundering machines, company has excelled at controlling costs. Net profits running sharply ahead of year ago. Recent extra and dividend boost leave payout still conservative. B[1]

McGraw Electric: Lower sales and profits caused by reduced defense billings and "price war" on certain utility products. Reductions offset in part by substantial rise in appliance business. Stock recently split 2-for-1. Paid some dividend each year since 1934. Present dividend conservative. B[1]

Minneapolis-Honeywell: Posted record sales and profits last year. Unaffected by defense cutbacks. Swing to automation should benefit this company. Major stakes in new growth fields. B[1]

Raytheon: Sales and earnings of this maker of electronic and communications equipment at historic highs. Pays stock dividends to conserve cash for growing business. B[1]

Robertshaw-Fulton: High volume of industrial activity and home-building should be reflected in continued high-level operations for this producer of temperature and pressure controls. B[1]

Servel: Another year of net losses is indicated. Commercial and military sales have hit the skids. New management plans to rebuild company. D

Sperry-Rand: Born this year out of Sperry, maker of defense equipment, and Remington Rand, producer of office equipment and electronic devices. Progressive companies, both are in growth fields. Rise in both preceding merger was extremely sharp. B[1]

Square D: Sales and net little changed in early 1955 from year ago. Demand for its switches, switchboards, circuit-breakers and other products was at record pace in second quarter. Recent extra and rise in dividend leave payout rate conservative. B[1]

Sunbeam: Sales have risen nearly ninefold in post-war decade. New products spur growth. Aggressive promotion characteristic of management. Pays stock and cash extras. B[1]

Tung-Sol Electric: Old-line producer of light bulbs, radio-TV and electronic tubes has enjoyed considerable growth in post-war period. Stands to benefit largely from new growth in electronics industry and color TV. B[1]

Westinghouse Electric: Earnings this year disappointing, although appliance sales gained. Second biggest company in industry has a huge stake in atomic energy and also should gain from growing needs of utilities for apparatus. A[1]

York Corp.: Second largest maker of air-conditioning equipment, this pioneer in the field is an across-the-board manufacturer. A number of top companies in the electrical field have bid for it to broaden appliance line. B

TELEVISION

Admiral Corp.: Has broadened line of appliances. Sales and net fell this year, due largely to lower sales to military. Upturn is in prospect for last half of 1955. C

Columbia Broadcasting System: This giant of the radio-TV broadcasting field has entered the field of set manufacture. First-quarter net at record high. Stock recently split. B[1]

DuMont (Allen B.) Lab.: Company was pioneer in cathode ray tubes, but was left in ruck by more dynamic merchandisers. Was slow to develop inexpensive TV sets. Its TV stations have been small competition for big net works. Stronger management needed and proxy fight impends. D

Magnavox. Specializes in quality radio-TV sets and high-fidelity phonograph combinations. Regular dividend supplemented this year by stock extra. Company helped by research and development work, essential to Government. Defense backlog up. B[1]

Motorola: Dividends at annual rate of $1.50 as company retains bulk of profits to help finance expanding business. Stands to benefit from growth of TV and communications business. B[2]

Philco: A leading maker of appliances, company has to cope with severe competition. TV sales satisfactory, but consumer trend is toward lower-priced models. B[2]

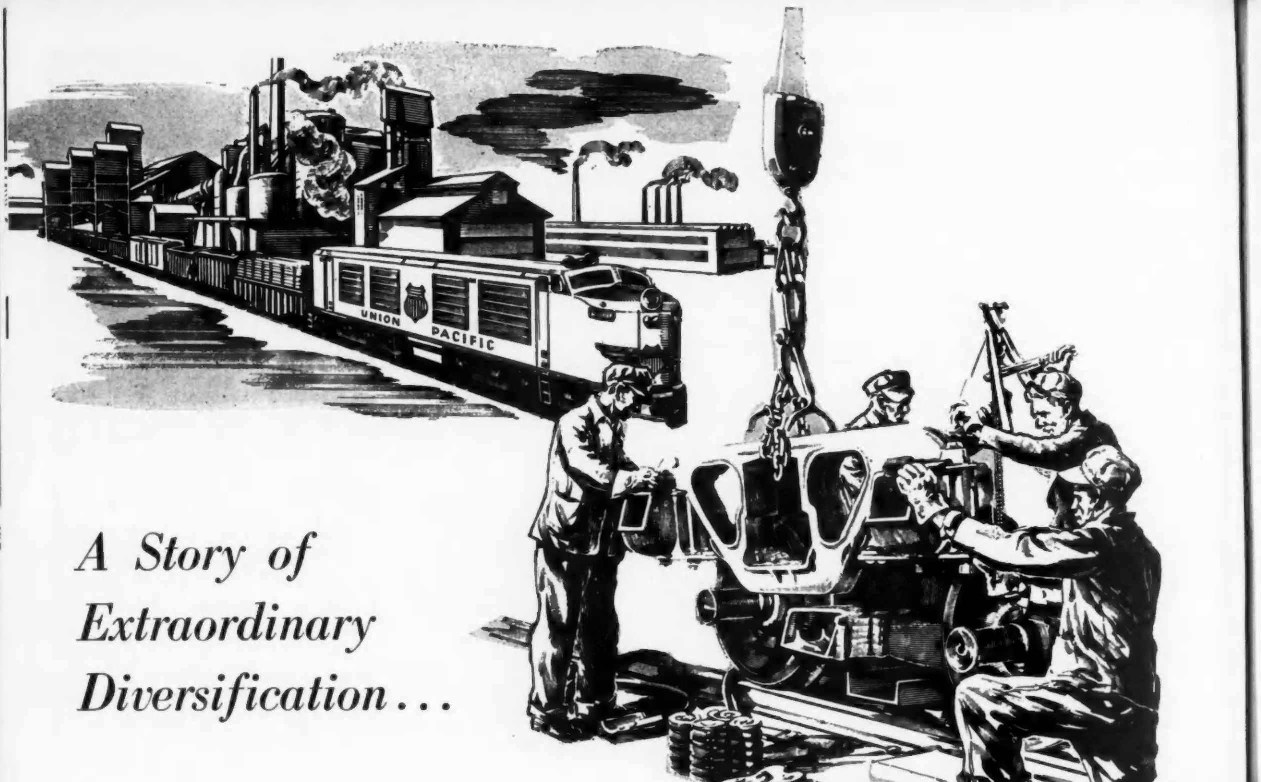
Radio Corp.: Giant in its field, sales this year should reach a billion for first time. Pioneer in color TV, should benefit immensely when this product is brought within public reach. R.C.A. also is leader in TV and radio network fields. Besides, is a top company in research for commercial and defense products. B[2*]

Sylvania Electric Products: Earnings sharply ahead of 1954 for this producer of electronic equipment. Has moved vigorously into atomic field, which promises over the years to become as important as old-line business. No profits there yet. B[2*]

Zenith: This leading advocate of pay-as-you-go TV would be the major beneficiary if such a system could get by F.C.C. Voted extra last year and boosted dividend this year. Payout still lean in view of soaring earnings. Stock is volatile. B[2]

RATING: A—High-grade Investment Quality. B—Good-grade. C—Speculative but improving. D—Unattractive.

***—Most attractive of group at present prices.**
1—Better-than-average market potentials; 2—For long-term growth.



A Story of Extraordinary Diversification...

RAILWAY EQUIPMENTS MOVE INTO NEW FIELDS

By **JOSEPH C. POTTER**

Because the American economic system is *sui generis* (in a class by itself), the old philosophies do not always serve as guideposts. Thus, if the people who make railway equipment had actually believed the world would beat a pathway to their door, they would have ended up as a welcoming committee for the sheriff and his padlock. And if they had adhered to the old adage that all things come to him who waits, there would not now be a rail-equipment industry. Preservation of this highly vital industry owes little to the railroads it serves.

Just about everybody is diversifying nowadays and the reasons are various, but survival is rarely the stake. Makers of carrier goods began diversifying on a vast scale after the end of World War II, and but for their courage, vision and enterprise, would have fallen by the wayside. The succor they now get from the railroads would have been akin to administering oxygen to a corpse. For the railroads they had served for a century had become in recent years either a hand-to-mouth customer or no customer at all. However, in the investment community where, a few years ago, they seemingly had no friends, they now are recommended in many instances as growth stocks.

Not that the industry is out of the woods even now, for as recently as last year all but Union Tank Car were suffering from shrinking business. Union Tank, of course, is hardly typical of the industry, since its car-leasing business provides sustained earnings. And last year, besides Union Tank, only General American Transportation and Pullman were able to boost share earnings. A somewhat better sales and earnings picture began to emerge this year, but the best is yet to come for the "railway equipment" industry.

Of course, there no longer is such a thing as a railway equipment industry, pure and simple, anymore. Today that business is but a part of the whole, which takes in the products of atomic energy, chemicals, power, petroleum, trailer trucks, plastics, earth-moving equipment and dozens more. A measure of the independence they have gained may be gleaned from the annals of New York Air Brake. As recently as 1947, only 1.7% of its volume was non-railroad. The trend away from the carriers for this company rose with the years — to 3.8% in 1948, 10.5% in 1949, 22.7% in 1950, 32.2% in 1951, to 57.2% in 1952 and to 65.7% in 1953. Last year, it was a whopping 79.3%.

Pressed Steel Car went even further. In 1949, that company embarked on a diversification program that didn't stop until the company had gotten completely out of the business of building freight cars. Thus, a concern that six years ago made nothing but freight cars now is an important factor in machine tools

and turns out a variety of other products. And don't look up the company, which goes back to the 19th Century, under that name, because last October it became U. S. Industries, Inc.

Back From the Dead

Pressed Steel Car, or U. S. Industries, now must be wondering whether it didn't overdo its variegation, for a splurge of freight-car buying, induced by soaring railroad traffic, is developing into a boomlet for those who didn't take all 10 fingers out of the field. For the first five months of 1955, 15,680 cars were ordered. Total car ownership by Class I railroads at the approach of summer amounted to about 1,722,000, a decline of nearly 50,000 cars from a year earlier.

Orders for cars came thick and fast in June, rising to 13,365, largest monthly total since February of 1951, when this country was at war in Korea. The increase was more than 10,000 from May of this year, when 3,041 cars were ordered. In June of 1954, a mere 1,139 cars were ordered. As a result of the pickup in orders and the falling-off in deliveries from 4,083 cars in May to 3,015 in June, the backlog reached the highest level since February, 1954. On July 1, the backlog totaled 27,102 cars, against 16,886 at the beginning of June. On July 1, last year, cars on order numbered 13,860. Car orders for all of 1955 may well top 50,000 units.

The tempo of carrier business has perked up for ACF Industries, which changed its name from American Car & Foundry but kept a hand in. The volume of inquiries from railroads also has risen at Pullman, giant of the industry. On June 15, that company's backlog totaled 7,275 cars, largest for 1955. Most of the business is for "standardized" boxcars and hopper cars. On June 1, backlog was 3,230 cars and on May 15 it totaled 2,854. Despite the order pickup, car deliveries are still under 1,000 a month. With plant capacity of about 3,000 monthly, Pullman is in a position to handle a sharply higher volume. Many carriers are after large boxcars of the type able to haul automobiles, indicating an effort by railroads to take a bigger share of automotive haulage from the truckers. Outlook for new locomotive business has improved substantially for the Electro-Motive Division of General Motors. Several roads that once considered themselves completely dieselized now are buying locomotives in order to cope with increased traffic.

Do-It-Yourself Trend

The radical change in the complexion of railroad suppliers, of course, has been heightened by the growing trend in recent years on the part of the carriers to build a large part of their car needs in their own shops. Union Pacific Railroad plans to build 1,000 freight cars in its shops this year. Pennsylvania Railroad has called on its Altoona, Pa., shops for 300 covered hopper cars and 220 flatcars. Earlier this year, Pennsy got the last of 1,000 new boxcars ordered from Altoona last year. Also, Altoona is engaged in rebuilding and modernizing 2,000 existing boxcars.

The holder of rail-equipment, cheerfully noting that orders for freight cars are mounting, should bear in mind that sizable amounts of these new orders go to the shops of the railroads. Truth of the matter is that the railroads had less faith in the current business boom than most other business people. Already, a congressional group has begun public hearings to find out why the government's rapid tax amortization program has not produced more freight cars. A report had been readied charging the tax inducement failed to get from the carriers the freight-car expansion (*Continued on page* 612)

Position of Leading Rail Equipment Companies

	Full Year						1st Quarter						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price Range	Recent Price	Div. Yield
	1953 (Millions)	1954 (Millions)	1953 %	1954 %	1953	1954	1954	1955	1954	Indicated 1955	1954-1955		
AMERICAN BRAKE SHOE W.C. (mil.) '53—$29.2 W.C. (mil.) '54—$19.4	$139.7	$109.9	3.4%	3.9%	$3.70	$3.19	$1.41	$ .98	$2.25	$2.00	41 -30¼	40	5.0%
ACF INDUSTRIES W.C. (mil.) '53—$59.7 W.C. (mil.) '54—$50.6	245.0[1]	190.7[1]	3.1[1]	3.6[1]	7.93[1]	6.62[1]	....	....	4.75	4.75	69⅜-32	65	7.3
ALCO PRODUCTS† W.C. (mil.) '53—$48.8 W.C. (mil.) '54—$50.1	440.7	187.2	1.6	2.4	3.40	1.83	.64	.31	1.00	1.00	27⅞-12⅝	21	4.7
AMERICAN STEEL FOUNDRIES W.C. (mil.) '53—$32.0 W.C. (mil.) '54—$30.4	149.6	89.0	4.2	4.0	5.34	3.05	2.60[2]	1.98[2]	2.50	2.00	35½-25¾	34	5.9
BALDWIN-LIMA-HAM. W.C. (mil.) '53—$71.6 W.C. (mil.) '54—$64.9	276.2	155.1	2.6	2.6	1.54	.95	.28	.21	.80	.60	24½- 8⅜	14	4.2

W.C.—Working Capital.

1—Years ended April 30, 1954 and 1955.

2—9 months ended June 30.

3—6 months ended June 30.

†—Formerly Amer. Locomotive Co.

Position of Leading Rail Equipment Companies (Continued)

	Full Year						1st Quarter						
	Net Sales 1953	Net Sales 1954	Net Profit Margin 1953	Net Profit Margin 1954	Net Per Share 1953	Net Per Share 1954	Earned Per Share 1954	Earned Per Share 1955	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
	(Millions)	(Millions)	%	%									
BUDD CO. **W.C. (mil.) '53—$53.0** **W.C. (mil.) '54—$42.2**	$336.0	$244.0	3.2%	2.6%	$2.88	$1.60	$ .33	$1.26	$1.00	$1.20	22⅞-11¼	21	5.7
GEN. AMER. TRANS. **W.C. (mil.) '53—$35.4** **W.C. (mil.) '54—$36.9**	177.2	156.2	4.1	7.2	3.38	4.79	1.25	1.26	2.62½	2.75	69¼-38	62	4.4
GEN. RWY. SIGNAL **W.C. (mil.) '53—$11.1** **W.C. (mil.) '54—$11.5**	19.7	15.9	6.2	7.6	3.30	3.25	.68	.62	2.50	2.50	50½-25¼	46	5.4
N. Y. AIR BRAKE. **W.C. (mil.) '53—$16.4** **W.C. (mil.) '54—$16.8**	41.9	36.0	4.9	4.6	2.84	2.31	1.34[3]	1.10[3]	1.60	1.60	29 -18¼	25	6.4
POOR & CO. "B" **W.C. (mil.) '53—$7.1** **W.C. (mil.) '54—$7.1**	38.5	28.2	4.0	3.7	3.37	2.05	2.23	2.03	1.50	1.50	23⅜-14¼	21	7.1
PULLMAN **W.C. (mil.) '53—$114.3** **W.C. (mil.) '54—$121.7**	404.1	391.0	2.7	3.4	5.02	6.05	1.92	.58	4.00	4.00	73⅞-40½	66	6.0
SYMINGTON-GOULD **W.C. (mil.) '53—$6.5** **W.C. (mil.) '54—$6.7**	19.2	9.6	4.4	2.0	.84	.19	.20	.28	.25	.50	8⅞- 4½	7	7.1
UNION TANK CAR **W.C. (mil.) '53—$8.1** **W.C. (mil.) '54—$4.3**	27.3	28.1	1.7	1.7	2.19	2.39	.58	.66	1.45	1.50	32½-21⅞	29	5.1
WESTINGHOUSE AIR BRAKE **W.C. (mil.) '53—$71.8** **W.C. (mil.) '54—$69.0**	145.0	121.5	6.9	6.3	2.43	1.88	.22	.37	1.60	1.20	32⅝-22⅝	28	4.2
YOUNGSTOWN STEEL DOOR **W.C. (mil.) '53—$8.1** **W.C. (mil.) '54—$8.1**	17.3	10.9	6.7	5.0	1.75	.82	....	....	1.00	1.00	17⅛-11½	16	6.2

W.C.—Working Capital. [1]—**Years ended April 30, 1954 and 1955.** [2]—**9 months ended June 30.** [3]—**6 months ended June 30.** †—**Formerly Amer. Locomotive Co.**

American Brake Shoe: Seeking to buy for cash a company that would provide growth in new areas. To build company, might declare stock dividend in lieu of increased cash distribution. C[2]

ACF Industries: Lack of orders for rail equipment and cutback in military contracts last year dropped earnings but only moderately. Upturn in current fiscal year appears assured for this highly-diversified company with higher earnings in sight. New acquisition slated. B[2]

Alco Products: More than three-fourths of its products in new lines, directed to the power, chemical, petroleum and atomic fields. Old-line locomotive business should improve, but emphasis now is in new areas. C[2]

American Steel Foundries: Earnings for fiscal year expected to be nearly $3 a share, a decline from fiscal 1954. Sales lower. Dividend cut last year to 50 cents quarterly from 75 cents, but new rate appears fairly well secured. D

Baldwin-Lima-Hamilton: Dividend was cut this year as company is undergoing drastic changes. Company acquiring stakes in fields far removed from traditional business. Improvement should come over near term. C[2]

Budd Co.: Acquisition of Continental-Diamond Fibre gives Budd, which has a small number of large customers, access to 20,000 new customers in vital growing fields. Fiber operation should benefit from Budd engineering organization. C[1]

General American Transportation: Highly stable business, produces satisfactory earnings. Earnings early this year were abreast of 1954 although rails were not buying freight cars in substantial numbers. Situation changing now, presaging higher earnings. B[1]*

General Railway Signal: Orders running ahead of year ago for this relatively stable producer of rail equipment. Paid some dividend in each year since 1940, an outstanding record in industry. B[2]

N. Y. Air Brake: Alert management has developed interests far beyond traditional line. With railroads actively in market for its products, prospects are good for improvement over 1954 showing. C[1]*

Poor & Co.: Carriers expected to increase maintenance outlays in accord with higher freight volume, which should be helpful to this maker of track accessories. C

Pullman: Kingpin of car-builders, has strong finances. Stakes acquired in non-railroad fields represent new growth opportunities, Old-line business picking up sharply with carriers back in market for equipment. B[1]*

Symington-Gould: 1954 was an extremely bad year for company. Return of carriers to market should help to lift earnings. Supplier of armor to military also hurt by reduced requirements here. D

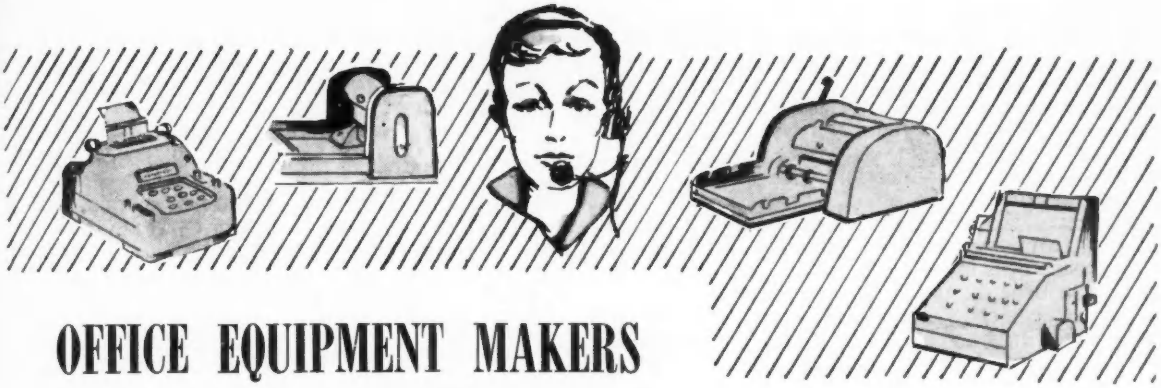
Union Tank Car: Strongly entrenched position as a tank car lessor reflected in long record of sustained earnings power and uninterrupted dividend payments. Growth has paralleled that of petroleum industry. B[1]*

Westinghouse Air Brake: Sales and earnings sharply ahead of last year, with gain reflecting growing non-railroad business. High-level construction and road-building should aid company growth. C[1]*

Youngstown Steel Door: Leading maker of steel freight car doors. Annual dividend of $1 provides good yield. Has record of paying some dividend in each year since 1927. C[1]*

RATING: A—High-grade Investment Quality. B—Good-grade. C—Speculative but improving. D—Unattractive.

[1]—**Better-than-average market potentials;** [2]—**For long-term growth.**
*—**Most attractive of group at present prices.**



OFFICE EQUIPMENT MAKERS RIDE MECHANIZATION WAVE

By JOHN D. C. WELDON

Business for the office equipment manufacturers, good last year, promises to be still better in 1955. While this is a general statement applicable, more or less, to the majority of companies making up the office machine and equipment industry, the greatest gains in sales and earnings are likely to be recorded by those which have expanded and strengthened their general product line, achieving greater diversification through the application of new techniques. This includes the development of new or improved accounting, computing-billing and calculating machines; high speed punched card tabulating, printing and accounting equipment; and electronic data processing machines, or as they are more commonly referred to, electronic computers.

For companies in this group the outlook is for continued growth. Among those that should show the best gains in the current year are International Business Machines, National Cash Register, Burroughs Corp., Underwood Corp., and the Remington Rand Division of Sperry Rand Corp., recently formed as a consolidation of Remington Rand Inc., and the Sperry Corp.

Business for the majority of companies in the office equipment field, in the first quarter of 1955 was up on an average of 12 to 15% from the 1954 first quarter, and, it is estimated, matched this gain during the second three months of the year. Although it is likely that current high rates may not hold through all of 1955, increased operating efficiency will widen profit margins. Extended coverage will give added protection to present dividend rates and in several instances justify moderate increases or year-end extras. Increasing acceptance of electronic computers for both industrial and commercial applications should prove of still greater importance to producers of this type of equipment in 1956.

Rising Trend in Office Mechanization

A good illustration of the trend to mechanization of office operations is the recent order of the Pennsylvania Railroad for an International Business Machines "Type 705" electronic computer, the biggest "giant brain" IBM can deliver, for which the road will pay a monthly rental of $30,000. Penn R.R. already has in use hundreds of electric and electronic computing machines, but all of these, according to the company, have to be supplemented by the "705" to cope with the job involved in connection with the issue of 43 million passenger tickets, 15 million freight way bills, 3 million pay drafts, 600,000 vouchers, plus thousands of other forms of one kind and another to be processed each year. The "Pennsylvania" sees the situation getting more complicated in view of the piggyback "Truc-Train", new types of passenger trains and other new things coming along, creating more "paper work" and more computations.

Anticipating this, The Pennsylvania has placed an order for an IBM "Type 650" magnetic drum electronic computer, for which it will pay $3,750 monthly rental, for the less complex jobs. One of these is likely to be payroll makeup. During such an operation, the employees' names and records of work are punched into cards and fed into the computer. From this information, the machine figures each employee's accumulated earnings, deductions, including Federal withholding tax and Social Security payments, and then calculates the amount of pay due him, producing the results on a new set of punched cards at a maximum rate of 100 cards a minute. And IBM's "650" is a small machine compared to the company's increasing number of electronic computers, the latest addition being the "705" that has a magnetic core memory capacity of 20,000 characters and a magnetic drum memory capacity of 60,000 characters for each drum in the unit. The central processing unit is capable of addition, subtraction, multiplication and division, in millionths of a second.

Comparable with the IBM line of electronic computers in Sperry Rand's "Univac 120" and "Univac 60", and the "Univac II", more recently introduced and which using magnetic core "memory", operates at an input-output speed of 20,000 characters per second. The growing acceptance of the logic and economics of electronic computing systems has necessitated expansion of the manufacture of these products and auxiliary equipment. For instance, Sperry Rand's "Univac 120" and "Univac 60" are now being produced at two locations because the capacity at the original facilities has been outgrown, while auxiliary equipment such as high speed printers, card-to-tape converters, unitypers and components are now being produced at two plants in addition to the original point of manufacture.

Giving impetus to the rapid increase in demand for electronic computers is their versatility. Simultaneous with their adoption by banks, insurance companies, and corporations in other business and industries for general statistical work they are finding increasing employment in scientific and engineering studies. In fact, electronic computers, originally designed in connection with our war efforts and to solve intricate scientific mathematical problems, have achieved outstanding success in the business-machines market with sales or rentals expected to increase at a much faster pace as manufacturing costs are brought down, permitting rentals or outright sales of the comparatively smaller units at prices within the reach of medium-size and smaller corporations and business institutions.

Versatility of Electronic Computers

The Burroughs Corporation is expected to come into the market this Fall with the first of a series of low-cost electronic data processing machines, the first of which will be its "E101". Underwood Corp., has its "Elecom 100", designed to sell for less than $100,000. National Cash Register Co., in developing its computer has also devised a system linking the unit with its cash registers, accounting and adding machines, which together with a tape punching device makes these machines an "input" medium by which information recorded on them can be introduced directly into the computer. NCR has scheduled production of its computer and auxiliary units for early 1956, priced at approximately $200,000. This will not include accounting or adding machines.

While the development and rapid adoption of electronic computers by various Government bureaus, industrial corporations, banks and other financial institutions has been somewhat spectacular, the result of stepped-up research has been the development of new technolgies which, incorporated in high speed printers, adding, tabulating, accounting and other office machines, cash registers, and typewriters, have made older models obsolete in today's modern industrial and business organizations.

International Business Machines Corp., which only last October added a new research laboratory at Poughkeepsie, N. Y., to its already extensive research facilities, added in 1954 a number of new products to its regular line. One of these in an electronic data receiver for transmitting data from punched cards at one location to remote points by means of telephone, telegraph or radio circuits. Other new products included an improved numeric acccounting machine, an alphbetical interpreter which reads and prints punched card data at high speed, a typewriter card punch and typewriter card printing punch, and a new electric typewriter.

Its total income last year from sales, service and rentals reached a record high of $461.3 million, up by approximately $52 million from 1953, with net income for the year at $46.5 million, equal to $11.35 per common share, compared with $34.1 million, or $8.53 a common share after adjusting for the stock dividends of 5% in 1952, 2½% in 1954, and in the latter year a stock split on a 5-for-4 basis. Results for the 1955 first quarter indicate a continuance of IBM's uptrend, net income for the three months being equal to $2.78 a share as against $2.47 in the corresponding 1954 period. Supporting the good outlook has been the flow of incoming orders for regular products in the first quarter, pushing the backlog to a higher level than the record volume IBM had on its books at the close of 1954. New purchasers are deterred by the high price of the stock, but old holdings should not be disturbed.

Burroughs Corporation, intensifying research and product development program early in 1954 opened its new research center at Paoli, Pa., expanded its Electronic Instruments Division, originally established in 1953, and greatly enlarged its marketing organization here and in Canada and in countries overseas, including the appointment of new dealers in Ceylon and Egypt. Burroughs and its subsidiary companies throughout the world, in 1954, for the fourth consecutive year, produced a new high in total revenue which reached $169 million, up from $160.4 million for 1953. Despite an increase of 39% in expenditures for research and product development, earnings from 1954 United States and Canada operations and including only dividends received from abroad, totaled $7.7 million, or $1.56 a share for the capital stock. This compares, on the same basis, with the previous year's net income of $7.2 million, equal to $1.44 a share. Operating results for the current year are expected to extend this rate of improvement. For the first three months of 1955, net for the stock amounted to 39 cents a share, up from 36 cents in the like period of 1954. The rate of gain is expected to be improved upon during the balance of the year as Burroughs benefits from a higher volume of orders for commercial equipment which during the first quarter were running 30% ahead of a year ago and from increased efficiency of operations and the introduction of improved and new commercial office machines. Among these is the new high speed printing and tabulating equipment brought out in late 1954 but on which production and deliveries will not begin until the final quarter of this year. Other new equipment scheduled for market introduction includes an electronic device which "reads" travelers checks at the rate of 120 a minute and automatically punches the information into punch cards. Another new Burroughs product is a separate microfilm recorder and reader that will allow any business—large or small—to have a completely flexible inexpensive microfilming system having a full range of operating features to meet any business requirement.

National Cash Register Co., always among the leaders in research and product development expanded its program last year and during 1955 began construction of a sizable building at Dayton, Ohio, to house research and engineering staffs, and a new and enlarged electronics research laboratory on the Pacific coast. In National's research and product development activities over many years is found the answer in large part to the wide acceptance of its products in this and other countries and the growth in sales from $77.4 million in 1946, to $261 million in 1953. Even in 1954, notwithstanding the dip in general business during the better part of the first nine months, sales for the year hit $259 million. This $2 million drop, however, was more than offset by a greater recovery of sales dollars as net income, earnings increasing to $1.94 a share from $1.71 a share for the preceding year. These figures

are after making adjustment for the 3-for-1 stock split in February, 1955.

On the basis of results for the three months ended last March 31, new peaks will be reached in both sales volume and net income. Sales for that period of $64.5 million were about $4.4 million above those of a year ago, and net per share of 44 cents compared with 38 cents in the 1954 first quarter. National, with six categories of products and services made up of cash registers, accounting machines, adding machines, electronic systems, supplies and repair service, distributed through about 500 branch offices, has been benefiting from both the trend in mechanization of office work and the substanial increase in suburban shopping centers creating an entirely new market for cash registers in retail stores operating in those areas. Sales of cash registers in 1954 were the greatest in the company's history and this volume should be matched in 1955, and possibly surpassed as new business is developed for the new change-computing register introduced last year. Some time in early 1956, National expects to make its first installation of its electronic computer for commercial application for (*Please turn to page* 623)

Position of Leading Office Equipment Companies

	Full Fiscal Year: Net Sales 1953 (Millions)	Net Sales 1954 (Millions)	Net Profit Margin 1953 %	Net Profit Margin 1954 %	Net Per Share 1953	Net Per Share 1954	1st Quarter: Net Per Share 1954	Net Per Share 1955	Dividend Per Share 1954	Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
ADDRESSOGRAPH-MULTIGRAPH .. W.C. (mil.) '53—$23.1 W.C. (mil.) '54—$24.1	$ 62.7	$ 65.4	7.3%	7.4%	$5.74	$ 5.92	$4.47[1]	$5.80[1]	$3.00[3]	$3.75	113½- 58	111	3.3%
BURROUGHS CORP. .... W.C. (mil.) '53—$59.8 W.C. (mil.) '54—$58.3	159.8	168.6	4.5	4.6	1.44	1.56	.36	.39	.85	1.00	34¼- 15¼	31	3.2
FELT & TARRANT MFG. .... W.C. (mil.) '53—$5.7 W.C. (mil.) '54—$5.2	9.7	9.1	4.4	1.2	.82	.22	.14	(d) .09	.45	.05[4]	13½- 8⅜	10	....
INT. BUS. MACH. .... W.C. (mil.) '53—$72.4 W.C. (mil.) '54—$86.8	409.9	461.3	8.3	10.0	8.53	11.35	2.47	2.78	3.80[3]	4.00	450 -196	427	.9
NAT. CASH REG. .... W.C. (mil.) '53—$60.5 W.C. (mil.) '54—$57.2	260.9	259.1	4.2	4.4	1.71	1.94	.38	.44	1.00	1.07	47 - 19¼	42	2.5
PITNEY-BOWES .... W.C. (mil.) '53—$7.9 W.C. (mil.) '54—$9.3	32.8	34.9	5.5	8.4	1.48	2.41	.56	.70	1.20	1.40[3]	52¼- 21	49	2.8
ROYAL MACBEE CORP.[6] .... W.C. (mil.) '53—$16.3 W.C. (mil.) '54—$19.0	72.6	84.4	3.8	3.3	2.32	1.83	2.32[1]	1.83[1]	1.35	1.20	26¼- 14¾	23	5.1
SMITH-CORONA .... W.C. (mil.) '53—$13.5 W.C. (mil.) '54—$12.6	32.1	29.9	3.1	1.2	3.14	1.10	.94[2]	2.68[2]	.75	.75	25¾- 13½	24	3.1
UNDERWOOD CORP. .... W.C. (mil.) '53—$34.6 W.C. (mil.) '54—$33.8	78.3	76.0	1.0	1.6	1.13	1:66	.57[5]	1.31[5]	1.25	1.25	43⅛- 27	39	3.2

W.C.—Working Captial.
1—9 months ended April 30.
2—9 months ended March 31.
3—Plus stock.
4—No further dividend action.
5—6 months ended June 30.
6—Formerly Royal Typewriter Co.

Addressograph-Multigraph: Sustained earning power over the last 10 years reflects the well entrenched position of this producer of addressing, billing, duplicating and other business machines. Introduction of electronic printers enhances growth potentials. 1955 fiscal year's earnings likely to set new high. B[2]

Burroughs Corporation: Heavy research expenditures have restricted per share earnings, but improved basic position, expanded world-wide selling organization, and introduction of new machines, enhances long-range potentials. B[2]

Felt & Tarrant: Endeavoring to strengthen earning power by introducing two new products and expanding its selling force and increasing sales promotion effort, the expense of which brought about first quarter deficit. Some improvement may be seen in second half-year, but dividend resumption not imminent. D

International Business Machines: Another record year indicated for this leading producer of electronic computers and varied office machines. Another stock dividend likely and higher cash payout possible. A[2]

National Cash Register: Strong position as the leading cash register maker is further enhanced by increasingly important business in accounting, bookkeeping and other office machines. Developing electronic computers primarily for commercial applications. Good long-range outlook. B[2]

Pitney-Bowes: This foremost manufacturer of mail-metering equipment and related products is expected to show earnings for this year in excess of the $2.41 a share for 1954. Continued product diversification adds to longer-term prospects. B[2]

Royal-McBee Corporation: Earnings of this consolidation of Royal Typewriter and The McBee Corp., for year ended July 31, 1955, estimated at $2.25 a share. Full benefits from merger should be more apparent in 1955-56. C

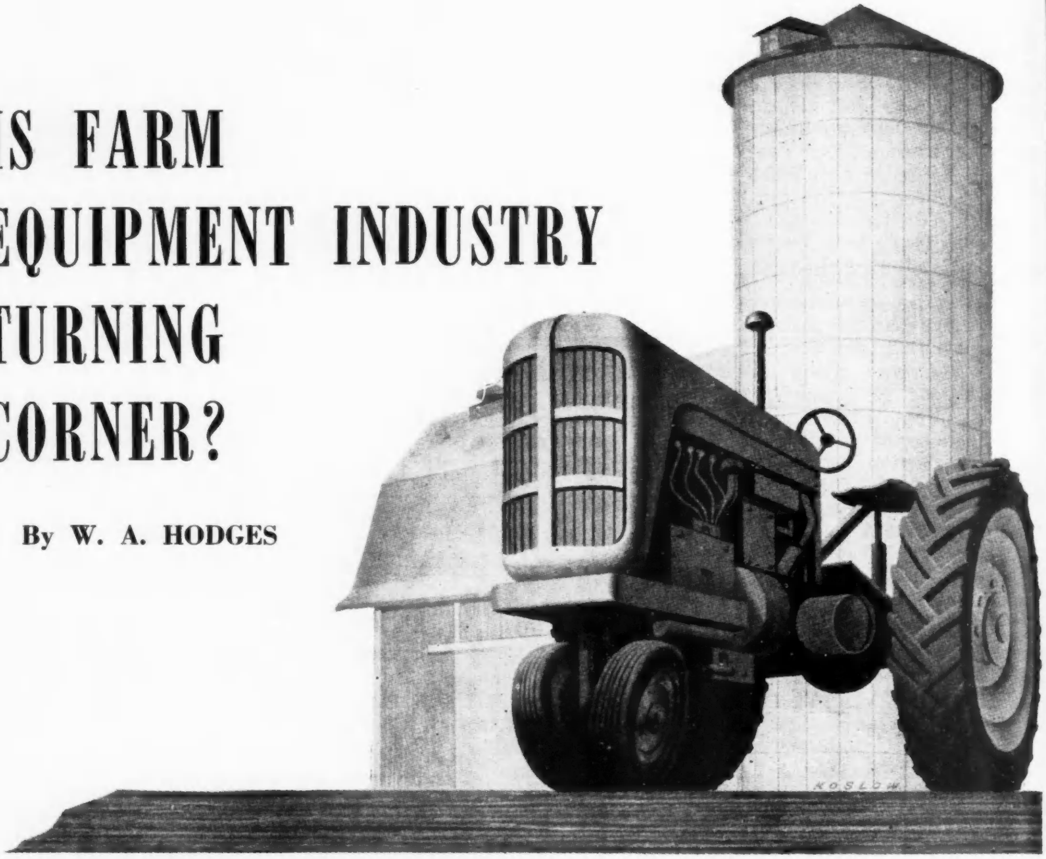
Smith-Corona Inc.: Sales for the 9 months to last March 31, of $24.6 million, a gain of approximately 10% over the like period of the preceding year, produced $2.68 a share in net earnings compared with 94 cents a year ago. With special charges in developing its electric typewriter out of the way, increased cash dividends are likely. C

Underwood Corporation: Good first half net at $1.31 a share, compared with 57 cents in the 1954 period reflects increased earning power from introduction of improved typewriters and other office machines. Is devoting considerable research to the further development of its punched card and electronic computer divisions. B

RATING: A: High-grade investment quality. B: good grade. C: Speculative but improving. D: Unattractive.
[1] Above-average appreciation potential at current market levels. [2] Retain for long-term investment. * Most attractive of group based on current market price.

IS FARM EQUIPMENT INDUSTRY TURNING CORNER?

By W. A. HODGES



Although defense business is down substantially from previous high levels for some of the farm equipment makers, and neglible in amount for others, the farm equipment industry appears headed in fiscal 1955 for one of its better years from both the standpoint of dollar sales volume and net earnings from its regular business. Final results, of course, are subject to the trend of sales in the last six months, ending for most of the companies in the industry next October 31.

As always, there are uncertainties which have to be considered in forecasting the immediate future, but the outlook appears to be more favorable than that of a year ago. Then thousand of farmers in areas spread in a wide arc from the Southwest up into parts of New England were severely hit by a prolonged drought. Some of these areas had already been suffering for several consecutive years from insufficient moisture, creating a situation that did not encourage farmers to deplete their bank balances or assume an installment debt by buying new equipment. On top of this, these farmers as well as others in all sections of the country, felt uncertain as to farm product prices because of the wrangling in Washington over the price-support policies of the Federal Government.

Farmers Loosen Their Purse Strings

Now it appears that the pessimism created by weather conditions and uncertainty about prices that existed last year has given way to growing optimism. While there is no evidence of any immediate uptrend in farm product prices, farmers feel a little better about the situation because of indications that those prices have stabilized to some extent. This and recent rainfalls that have relieved the excessively dry conditions in many sections of the country have buoyed the spirit of farmers in those areas, putting them in a buying mood.

What effect this change in farmers' attitude has had can be gauged by the sales upswing recorded by the farm equipment makers during the first half of the current year. In that period, International Harvesters' farm equipment sales increased 16.7% over the corresponding months of the previous year. Expressed in dollars, sales increased from $146.6 million to $171 million, a gain of $24.4 million, the largest first half-year increase since 1950, or just prior to the outbreak of the Korean war.

Other farm equipment makers made comparatively good gains in the first six months of the current fiscal year. Heading the group from this standpoint is *The Oliver Corporation* whose net sales of regular products were up 22% above those for the first half of last year. Deere & Co., was right behind Oliver with a little better than a 19% gain in net sales, followed by Minneapolis-Moline Co., and J. I. Case Co., with gains of 16.6% and 13% respectively.

Net income for practically all the farm equipment

makers showed equally good, and in some instances greater, percentage gains. Increased sales of regular products permitted more economical use of production facilities, and a tighter rein on expenses also contributed to lowering unit cost of manufacture. *Harvester's* net income for the six months to last April 30, amounted to approximately $23.4 million, compared with $16.9 million for the same period of 1954. This is a gain of 38.2%, and brought earnings in the 1955 fiscal first half-year to $1.51 a share for the common stock. Of this amount, about $1.11 a share was earned in the second quarter and compares with $1.05 a share Harvester earned in the entire first half of fiscal 1954. The gains are especially significant inasmuch as they were achieved largely on sales of regular products totaling $515 million in the first six months of this year against $433 million a year ago. The earnings gain was achieved despite the fact that defense products sales in the six months to last April 30, dropped to $34 million from $64.7 million in the like 1954 period.

Deere & Company, in computing operating results for the first half-year ended April 30, 1955, has written a similar story. Sales of defense products, 53% less than in the first half of 1954, accounted for only about 2% of total sales of $179 million. This total was $29 million above the $150 million in sales for the 1954 first half-year, a period in which defense products output contributed more heavily to net sales. Moreover, with some of the low-profit military business out of the way, Deere, for the 1955 first half-year was able to pull its net income per dollar of sales up to 8.5 cents from 6.1 cents a year ago. Net income, as a result, reached $15.2 million, equal to $2.11 a share for the common stock, compared with net income of $9.1 million, or $1.20 a common share in the first half of 1954. Aiding this improved showing was the fact that there was no duplication of last year's preproduction and starting-up expenses of Deere's new chemical plant for the production of anhydrous ammonia at a rated capacity of 180 tons a day, together with facilities for converting ammonia into urea solution and ultimately to crystal form urea for fertilizer, supplementing the feed of ruminant animals, and for certain industrial purposes. *(Continued on page 622)*

Position of Leading Farm Equipment Stocks

	Full Years: Net Sales 1953 (Millions)	Net Sales 1954 (Millions)	Net Profit Margin 1953 %	Net Profit Margin 1954 %	Net Per Share 1953	Net Per Share 1954	1st Fiscal 6 Months Net Per Share 1954	1st Fiscal 6 Months Net Per Share 1955	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-55	Recent Price	Div. Yield
CASE, J. I. W.C. (mil.) '53—$88.2 W.C. (mil.) '54—$85.2	$ 111.4	$ 92.3	.7%	(d) .5%	$ .06	(d) $.53	(d)$1.43[1]	(d)$.75[1]	$ .50	....	19¾-13⅞	17	....
CATERPILLAR TRACTOR W.C. (mil.) '53—$ 98.8 W.C. (mil.) '54—$105.9	433.8	401.0	4.6	6.2	2.42	2.92	1.47[3]	1.79[3]	1.00[5]	1.60	57 -22⅜	53	3.0%
DEERE & CO. W.C. (mil.) '53—$295.8 W.C. (mil.) '54—$291.1	348.2	295.5	7.1	7.0	3.37	2.76	1.20[1]	2.11[1]	1.50	1.75	38½-24¾	37	4.7
INTERNATIONAL HARVESTER W.C. (mil.) '53—$348.2 W.C. (mil.) '54—$355.9	1.256.1	994.0	4.1	3.6	3.46	2.24	1.05[1]	1.51[1]	2.00	2.00	41⅛-27⅜	40	5.0
MINNEAPOLIS-MOLINE W.C. (mil.) '53—$40.1 W.C. (mil.) '54—$40.2	105.6	77.4	2.0	(d) .05	1.71	(d) .67	(d)1.32[1]	(d)1.09[1]	....	....	25¼- 9⅜	21	....
MYERS (F. E.) & BRO. W.C. (mil.) '53—$5.7 W.C. (mil.) '54—$5.3	12.6	11.1[2]	7.6	8.1[2]	4.83	4.54[2]	1.95[1]	1.31[4]	2.40	2.40	47 -37	43	5.5
OLIVER CORP. W.C. (mil.) '53—$63.5 W.C. (mil.) '54—$62.6	136.6	128.3	2.0	2.8	1.18	1.61	.50[1]	1.29[1]	.60	.75	18¼- 9⅛	18	4.1

W.C.—Working Capital.
(d)—Deficit.
1—6 months ended April 30.
2—11 months ended Sept. 30, 1954.
3—6 months ended June 30.
4—6 months ended March 31.
5—Plus stock.

Case (J. I.) Co.: Good second quarter produced net income equal to 82 cents a share, bringing deficit for first half-year down to 75 cents a share. Further improvement for balance of fiscal 1955 possible, but outlook remains uncertain. D

Caterpillar Tractor: Improved agricultural demand for tractors has contributed to over-all sales of equipment to construction, road building, and other industries. Substantial gain indicated in 1955 earnings over previous year. Could raise dividend rate. B[2]

Deere & Co.: New Product development strengthens position of this foremost farm equipment maker. Diversification into chemicals creates promising potential. With non-recurring expenses out of way, and continuance of satisfactory sales, earnings should rise. B[2]

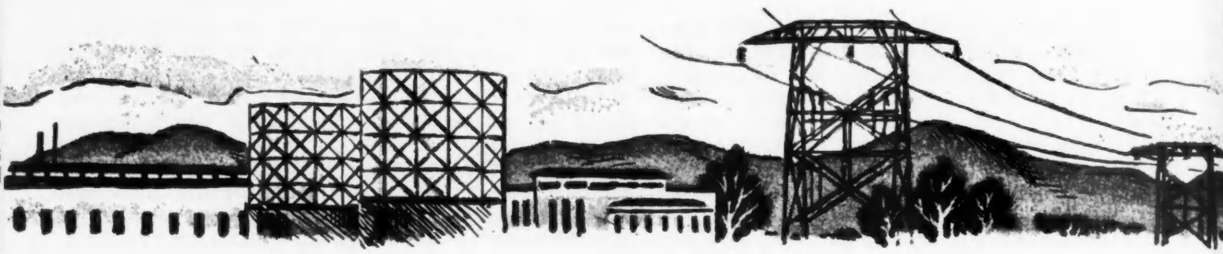
International Harvester: This leading farm equipment producer, and integrated manufacturer of widely diversified products in other fields, appears to have resumed its upward course in earnings. B[2]

Minneapolis-Moline: Reduced first six months' deficit to $1.09 a share from deficit of $1.32 a share a year ago. Sustained sales voulme in second half-year could cut deficit further, but unlikely to be sufficient to permit more than a few cents a share profit. D

Myers (F. E.) & Bro.: Current year's earnings for this company whose normally stable pump sales in farm regions is aided by sales of a variety of hardware and other equipment, should be slightly under $4.54 a share recorded in 1954. Has good management and strong finances. B

Oliver Corp.: Substantial gain in fiscal 1955 first six months' earnings to $1.29 a share from 50 cents in like 1954 period, reflects its strong position in the farm equipment field. Recently increased dividend to 20 cents quarterly still modest payout. C[1]

RATING: A — Best grade. B — Good grade. C — Fair. D — Poor. [1] — Sustained earnings trend. [2] — Lower earnings trend. * — Most attractive of group.



Investment Audit:

PACIFIC GAS AND ELECTRIC CO.

By CHARLES H. WENTWORTH

In language befitting a staid institution, the Federal Reserve Bank of San Francisco, in reviewing the growth of the 12th Federal Reserve District over the 40 years to the end of 1954, states the District "today is far from the sparsely populated frontier it was in 1914. Its population has more than tripled, and the growth of manufacturing industries in the area has made its economic structure somewhat more like that of the eastern states.

As the Bank points out, however, examination of the geographic distribution of economic growth within the District shows that during the years under review population has been growing much faster absolutely and relatively in California than in the Pacific Northwest or in the Intermountain states. California, long an important agriculture area, has developed rapidly, particularly since World War II, in industrial activity. Its population growth has been from about 6.9 million 15 years ago to close to 10.7 million at the present time. Approximately 5.8 million, or roughly 54 per cent of California's total population is in 46 of the state's counties in which Pacific Gas & Electric Company operates integrated gas and electric systems.

Eight Consecutive Years of Growth

At the 1954 year-end, Pacific Gas & Electric, the second largest electric and gas utility, as measured by total revenues, was supplying service to 2,973,590 customers in all branches of its operations. This number represented a net customer gain of 244,422, 139,642 of which were put on the books as a result of the merger of Coast Counties Gas and Electric Co. The balance of 104,780 new customers in 1954 made the eighth year in succession that PG&E added more than 100,000 new users to its lines. Based on present growth trends, it is expected that new customers added to the lines during 1955 will bring the total to well over three million which means that in less than eight years the company's systems will be supplying 50 per cent more customers than in 1947.

Gains in gross revenues are moving up at a faster rate. In the five years to the close of 1954, gas and electric revenues rose to new high levels in each succeeding year. From $166.8 million in 1950, electric revenues increased in 1954 to $265.4 million. In the same period, gas revenues climbed from $69.2 million to $11.8 million. Revenues from other operating departments in 1950 helped to bring total gross operating revenues for that year to $237.4 million. By 1954, they had increased to $386.2 million, a 62 per cent growth over a five-year period. In 1954, electric business contributed 68.7 per cent of total operating revenues, gas business 30.8 per cent, and minor activities one-half of one per cent, bringing the total to $22.1 million or 6.1 per cent over that of 1953.

The two years, 1953 and 1954, however, are not strictly comparable for several reasons. The principal distortion arises from the fact that prior to the merger of the Coast Counties Gas and Electric Co., at the end of last August, PG&E supplied all that company's electric requirements at wholesale, the revenues from this business being recorded in sales to other utilities. These wholesale transactions were terminated at the time of the merger and resulted in the addition of the retail revenue accounts of the acquired company to those of PG&E. Further distortion resulted from new arrangements, effective last July 1, in the contract with the Bureau of Reclamation relating to output of the Central Valley Power project for disposition of part of the Central Valley Power project output based on a contract with the Bureau of Reclamation. Nevertheless, electric revenues for 1954 were up by 5 per cent over 1953, and on the same basis of comparison, gas revenues increased by 8.3 per cent.

Net earnings for the common stock in 1954 amounted to $46.7 million. This was equal to $2.88 a share for the 16,255,733 common shares outstanding at the end of the year. This compares with $2.82 a share on 15,574,549 shares outstanding at the close of 1953, and $2.31 a share on 13,627,720 shares outstanding at the end of 1952. In weighing 1954 earnings, it should be noted that if higher gas rates, placed in effect on December 1, last year, had been in force during the full 12 months, gas revenues would have been approximately $7 million higher, and the increase would have brought common stock earnings up to $3.08 a share.

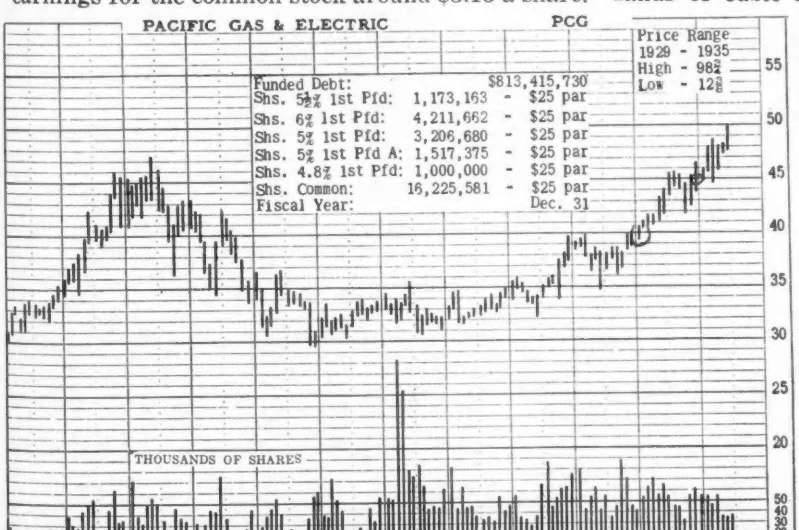
This boost in gas rates granted by the California Public Utilities Commission was followed in April of this year by another authorization to increase gas rates by approximately $8.8 million which on the basis of 1954 gas sales would add about 22 cents

more to net earnings for the outstanding common stock. Both increases were granted to offset the higher price effective April 15, 1955, for out-of-state gas purchased by PG & E from El Paso Natural Gas Co., and, of course, are subject to refund if the Federal Power Commission shall allow a lesser increase than El Paso asked for.

The benefits accruing from these increased rates, based on 1954 gas department revenues, may be underestimated in connection with 1955 gas sales. Although, as set forth in a preceding paragraph, 1954 gas revenues were up by approximately 8.3 per cent over 1953, the gain was achieved despite the fact that the 1953-54 winter season was warmer than normal which, it is estimated, deprived the company of about $3 million in gas revenues. Stimulated by a colder than normal winter season in 1954-55, gas sales in the first quarter of this year recorded exceptional gains. New customers continued to be connected in all departments and exceeded the number of those connected in the first quarter of the previous year by 68 per cent.

Sales Cross the $400 Million Mark

Thus, PG & E continues its growth trend. For the 12 months to last March 31, gross operating revenues were reported at $403 million, up by $34.5 million over the previous 12 months, with net earnings for the common stock in the latest period amounting to $3.10 a share on the total amount actually outstanding, compared with $2.72 a share on the outstanding stock a year ago. For the first time in any 12 months' period in its history, PG & E passed the $400 million mark in gross operating revenues which means that in less than three years it has increased sales revenues by $100 million, it having reached the $300 million level in the 12 months to September 30, 1952. On the basis of indicated uptrend, it appears conservative to estimate 1955 gross operating revenues at close to $430 million and net earnings for the common stock around $3.15 a share.



Comparative Balance Sheet Items

ASSETS	December 31 1945	1954 (000 omitted)	Change
Cash & Marketable Securities	$ 24.682	$ 27.397	+$ 2.715
Receivables, Net	15.650	27.619	+ 11.969
Materials & Supplies	7.379	15.368	+ 7.989
TOTAL CURRENT ASSETS	47.711	70.384	+ 22.673
Plant and Equipment	852.129	2.055.468	+ 1.203.339
Intangibles	....	1.213	+ 1.213
Investments & Funds, etc.	9.204	17.235	+ 8.031
Other Assets	34.356	16.085	— 18.271
TOTAL ASSETS	$943.400	$2.160.385	+$1.216.985
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 41.736	$ 147.392	+$ 105.656
Other Liabilities	13.574	6.838	— 6.736
Reserve for Depreciation	200.688	374.428	+ 173.740
Other Reserves	9.478	2.299	— 7.179
Long Term Debt	310.882	763.416	+ 452.534
Preferred Stock	144.621	322.243	+ 177.622
Common Stock	164.829	455.398	+ 290.569
Contrib. Aid Construct.	1.123	6.033	+ 5.110
Surplus	56.469	82.338	+ 25.869
TOTAL LIABILITIES	$943.400	$2.160.385	+$1.216.985
WORKING CAPITAL	$ 5.975	(d)$ 77.008	—$ 82.983
CURRENT RATIO	1.1	....	....

During the 1954 third quarter, quarterly payments on the common stock were raised from 50 cents to 55 cents, bringing the annual rate to $2.20. This amounts to a payout of 76 per cent of 1954 earnings. On indicated earnings for 1955, if the company maintains the current rate of payout, the quarterly dividend could be increased to 60 cents a share.

While PG & E's steady uptrend in gross operating revenues and net earnings provide an impressive picture of growth, gains in electric sales measured in kilowatt-hours and gas sales in terms of thousands of cubic feet are equally impressive and at the same time give a clear index to both population growth and the increase and diversification of industrial and commercial activity in the company's territory. In the five years from 1950 to 1954 inclusive, electric sales have risen from a little more than 11 billion to 15 billion kilowatt-hours. An analysis of this increase shows residential or domestic sales of 1.9 billion kilowatt-hours in 1950 had risen to over 3 billion in 1954. Large light and power sales increased from slightly more than 4 billion to 5.4 billion kilowatt-hours in the same period, and agricultural power sales rose from 2.08 billion to 2.93 billion kilowatt-hours. In the gas department, sales increased from 172.5 billion cubic feet in 1950 to 243.5 billion cubic feet in 1954. Among the three groups of principal markets were residential or domestic users whose requirements in 1954 took about 23.3

billion cubic feet more in 1954 than in 1950; commercial users taking about 3 billion cubic feet more, while industrial sales increased by 32.5 billion cubic feet.

More Than a Billion Dollars for Expansion

To keep pace with the rapid development of its territory, PG & E's capital expenditures in the post-war period for new and improved facilities, to the end of 1954, totaled $1,3450,000,000. This huge construction program, undoubtedly the largest for any private electric utility, following last year's expenditures of $171 million, is now tapering off with the building up of gas and electric reserves to satisfactory levels. Included in the program has been the enlargement of the gas transmission system to accommodate an increase in delivery of natural gas from out-of-state sources from 550 to 700 million cubic feet a day. In the electric department, one of the major developments, completed in 1954, was the construction of the Pittsburgh steam plant with a nominal rated capacity of 600,000 kilowatts, and is the largest steam plant west of the Mississippi. With the completion of this and other plants, PG & E brought to 2,528,400 kilowatts the electric generating capacity it has built since the end of World War II, and brought total installed generating capacity at the 1954 year-end to approximately 4 million kilowatts. This total will be further increased by the new Morro Bay plant of 300,000 kilowatts capacity, as well as by several small steam plants, as well as the Poe hydro plant on Feather River, which will have a rated capacity of 106,000 kilowatts.

Early in 1955, the Federal Power Commission authorized issuance of licenses for the construction of three additional hydro plants on the Feather River. These plants when in operation will have an aggregate capacity of 258,000 kilowatts. According to present plans additional hydro facilities, for which applications are also on file with the FPC, will be built on the Pit and McCloud Rivers.

Although it continues to construct hydro plants, the changing character of PG & E's system electric resources is demonstrated by the fact that at the close of 1954, 66 per cent of its installed generating capacity was in steam plants, compared with only 37 per cent at the end of World War II. This comparison is after giving effect to the retirement and withdrawal from its resources in 1954, of 136,000 kilowatts capacity of old and inefficient steam units, made possible by the execution of the postwar program building up reserves. In 1954, for the first time with the exception of the year 1949, Pacific Gas & Electric produced more power in steam plants than in its hydro plants, and expects that increasing proportion of its electric requirements will be generated in thermal facilities.

Less spectacular than the major construction projects completed in recent years or those now under construction has been the adoption by the company of what may well be termed ultra-modern equipment to achieve operating economies in providing adequate and dependable gas and electric service transmitted through more than 17,000 miles of gas pipe lines and 65,800 miles of electric power lines. This equipment includes electronic line fault analyzers for detecting faults on transmission lines, load frequency control facilities, and closed circuit television, the latter installed in several steam plants as an operational device to save time and increase efficiency, making possible remote viewing of operations from a central control room.

For the first time in eight years, PG & E, although it raised the amount of outstanding common stock by issuing shares for acquired companies, offered none of its common for cash in 1954, and is not expected to do so in 1955. This means that dilution of common share earnings, as in 1954, will again be avoided. In March, 1955, it sold $50 million face amount of 3⅜% 1st and Refunding mortgage bonds, the major portion of the proceeds being used to retire $38 million of bank loans. The capital structure at the present time is approximately 48.3% bonds, preferred stock 19%, and common equity 32.7%.

Pacific Gas & Electric's outlook is one of continued growth. It is estimated that if the present rate of expansion continues, California, by 1970, is likely to have a population of close to 15 million, and equally important, greatly increased and diversified commercial and industrial plants. Anticipated continued growth in earning power in the immediate future and its longer-range prospects rank the common stock as good-grade utility equity to hold for income and price appreciation potentials. Currently selling at 51½, the yield from the present $2.20 annual dividend rate is 4.27 per cent. —END

Long Term Operating and Earnings Record

	Total Operating Revenues	Operating and General Expenses	Depreciation and Amort.	Federal Income & Other Taxes	Net Operating Revenues	Fixed Charges & Other Deductions	Net Income	Net Per Share	Div. Per Share	Price Range High Low
	(Millions)									
1955 (12 months ended March 31)	$403.0	$172.7	$40.2	$101.9	$(N.A.)	$22.3	$66.9	$3.10	$1.65[1]	52¼-44½[2]
1954	386.2	167.9	39.0	95.8	83.4	21.4	63.0	2.88	2.20	46½-39⅛
1953	364.1	160.3	34.1	91.3	78.3	18.8	59.6	2.82	2.05	40 -34½
1952	313.9	144.6	31.6	73.3	64.3	17.7	47.0	2.30	2.00	39⅝-32⅜
1951	279.5	134.6	30.5	60.5	53.7	17.2	36.8	2.04	2.00	34¾-31⅞
1950	237.4	108.7	27.0	49.8	51.8	14.5	37.8	2.48	2.00	35¾-30½
1949	217.2	118.4	24.9	34.2	39.6	12.3	27.6	2.02	2.00	34 -30⅜
1948	204.2	107.4	22.9	36.1	37.7	10.8	27.3	2.43	2.00	36⅞-29¾
1947	184.3	92.8	22.2	34.2	34.9	9.9	25.2	2.45	2.00	43¼-33⅞
1946	167.8	70.4	26.5	36.0	34.8	9.8	25.4	2.72	2.00	47¾-36⅛
1945	160.2	57.3	20.9	48.8	33.1	11.5	21.9	2.16	2.00	46 -34⅛
10 Year Average 1954-1955	$251.4	$116.2	$27.9	$ 56.0	$51.1	$14.3	$37.1	$2.43	$2.02	47¾-29¾

(N.A.)—Not available.

1—To July 15, 1955.
2—To July 21, 1955.

WHAT'S NEW?

—A Record of Important Company Developments

The recently proposed merger of *Monsanto Chemical Co.* and *Lion Oil Co.* is expected to prove advantageous. The addition of Lion Oil, with its well balanced oil producing, refining and marketing organization along with its important chemical, petrochemical and natural resources should provide Monsanto with considerably enlarged scope of raw materials and breadth of operations. Lion is a large, low cost producer of nitrogenous chemicals- ammonia and its derivatives, while Monsanto is a substantial consumer of ammonia. Monsanto also manufactures herbicides and other agricultural chemicals which would complement Lion's activities in this field. More than half of Monsanto's raw materials are products which can be or are produced from petroleum fractions or natural gas, which could be readily procurable from Lion's activities and reserves. It is likely that this union will hasten a long-range program of producing an increasing variety of chemical raw materials, and possibly, numerous end products. Stockholders of both companies will vote at special meetings September 23 on the merger proposal. The Monsanto board also intends to supplement the regular quarterly 25 -cent payment (on the new stock after the 3 for 1 split, July 5th) with an annual stock dividend of 2%, provided business activity and the combined companies' profits continue at or near present levels.

Food Fair Stores Inc.: operating a growing chain of supermarkets in the Eastern Seaboard states has just reported record sales and earnings for the fiscal year ended April 30, 1955. Sales rose to $410 million from the previous record of $348.2 million set in fiscal 1954, for a gain of 17.7%. Net income amounted to $7.3 million equal to $2.37 per share, compared with $5.8 million and $1.84 a share, for a gain of 27.1%. The greater increase in net in relation to sales, is attributed, partially to close control over operating costs, greater efficiency in merchandising methods and to continued expansion. Food Fair added a net of 20 new supermarkets in the past 12 months, bringing up to 216 the number of stores operated by the company. Earlier this year, Food Fair announced a $50 million expansion program which would add 100 new supermarkets to the chain by the close of fiscal 1957. The dividend pay-out is now on an annual basis of $1 per share plus 3% in stock. While the company continues to expand rapidly, the stock now near 60, has discounted much of the immediate outlook. Long-range prospects warrant retention of holdings.

Kimberly-Clark Corp.: The close relationship for a quarter of a century, between this company and International Cellucotton will soon become a permanent alliance. Stockholders vote on merger plan early in August. For many years the two companies have had a close community of interest, and since last year, they have each

(*Please turn to page* 624)

Important Dividend Changes

July 12 to July 27

INCREASED DIVIDENDS

	New Rate	Period
Congoleum Nairn	$ .30	Qu.
Burlington Industries	.25	Qu.
Gulf Oil	.62½	Qu.
National Lead Co.	.75	......
Outboard Marine & Mfg.	.40	......
Union Carbide & Carbon	.75	......

INITIAL DIVIDENDS

	Rate	Period
Rayonier Inc. (new)	$ .30	......
U. S. Steel (new)	.50	......

STOCK DIVIDENDS (Including Stock-Splits)

	Rate
Crown Zellerbach	50%
Sunbeam Corp.	50

EXTRA DIVIDEND

Douglas Aircraft	$ .50
Acme Steel	.10
Carpenter Steel	.75
Lukens Steel	.25

OMITTED DIVIDENDS

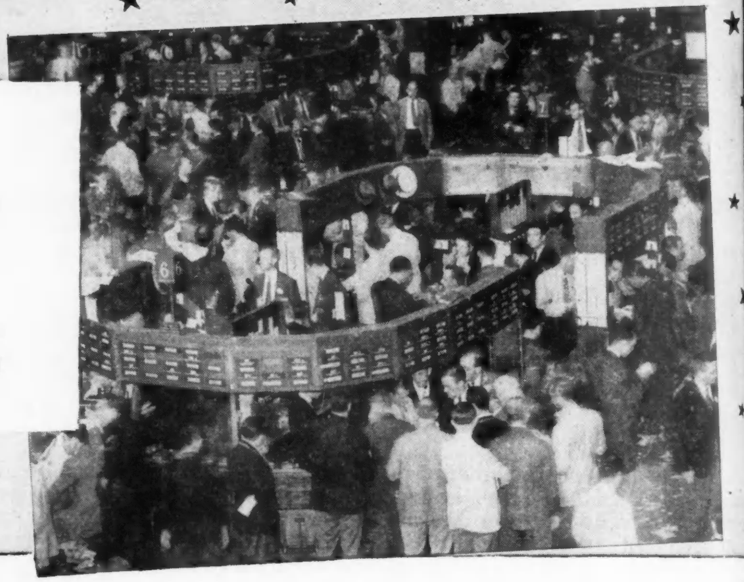
Consolidated Textile	

FOR

PROFIT

AND

INCOME



Risks

At this writing the market as a whole is only a short distance under the early-July all-time high, and the tentative indications in price performance and trading volume could possibly mean that another mild correction has been completed and may be followed by renewed upward tendencies. However, favored stocks are generally rather fully priced and many are over-priced. There are more cross-currents, more risks. It is more difficult than earlier to pick "winners", more easy to get "hung up". Although still a minority, the number of stocks sagging to new lows for the year has increased. Some recent examples include Johns-Manville, Hoffman Electronics, Gould-National Batteries, Federal Paper Board, Maracaibo Oil, Thatcher Glass, Twin Coach, Atlantic Coast Line, Carrier, Duplan, Grumman Aircraft, Hayes Mfg., Glenn Martin, Northrop Aircraft, Trane, Ruberoid, Carey, Blaw Knox, Garrett, Denver & Rio Grande, American Agricultural Chemical, and Stanley Warner. Numerous other issues, while not at new lows, are down 10% or more from this year's best levels and may have put their tops behind.

Strong

At the same time, there is no lack of stocks which are showing special strength. Some of the best of them in investment or semi-investment quality are Brown Shoe, Heinz, Indianapolis Power & Light, May Department Stores, Otis Elevator, Reynolds Tobacco, Stauffer Chemical, Toledo Edison, Woolworth, Idaho Power, Louisville Gas & Electric, Ohio Edison, Oklahoma Gas & Electric, Philadelphia Electric, Southern California Edison, Gillette, Hershey Chocolate, LOF Glass, and Royal Dutch.

Speculative

Among more speculative issues which are performing well at this writing, and which have above-average merit, are American Brake Shoe, American Broadcasting-Paramount, National Airlines, Harbison Walker, New York Central, Clark Equipment, Houston Oil, Youngstown Sheet & Tube, Reynolds Metals, and Keystone Steel.

Cigarettes

We recently expressed the opinion here that cigarette stocks had been over-sold, and cited technical evidence pointing to increased immunity of the group to recurring medical "blasts". Since then most issues have had a substantial rebound; and there has been some good news. The latest monthly report on production and tax-paid withdrawals (the latter is indicative of unit sales) showed gains in May from a year ago. The second-quarter earnings reports so far issued show gains from a year ago. Contributing to more cheerful sentiment, Reynolds Tobacco raised its dividend rate from $2.40 to $2.80. Yields on Reynolds Tobacco "B" and American Tobacco, the two best issues, are still much above-average. For that reason, and on possibilities of moderate further rise in their prices, we continue to think both should be held.

Stock Groups

In recent trading, variations

INCREASES SHOWN IN RECENT EARNINGS REPORT

		1955	1954
Acme Steel Co.	Quar. June 30	$ .93	$ .52
American Airlines	6 mos. June 30	1.13	.66
American Cyanamid	6 mos. June 30	1.99	1.58
Clevite Corp.	6 mos. June 30	1.40	.84
Colorado Fuel & Iron	Quar. June 30	1.72	.48
Crucible Steel Co. of Amer.	Quar. June 30	2.91	.49
Union Carbide & Carbon	Quar. June 30	1.22	.70
Dobeckmun Co.	6 mos. June 30	1.62	.85
Pennsylvania R.R.	6 mos. June 30	1.59	.18
Youngstown Sheet & Tube	6 mos. June 30	2.98	1.82

in stock-group performance have been mostly tepid both ways, without spectacular advances or declines, with few important groups getting to new highs for the year, none to new lows. Within these limitations, groups showing strength include agricultural implements, department stores, food stores, mail-order stocks, electric utilities, motion pictures and tobaccos. Only mild corrective tendencies are presently evident in such long-popular groups as building materials, chemicals, copper, office equipments, aluminum, finance companies, oils, steels, paper and tires. A long-laggard group showing some signs of better days is rail equipment, reflecting increased ordering by the railroads and other customers; and improvement in earnings. Fairly typical of the latter trend, American Steel Foundries earned only 17 cents a share in the quarter ended last December 31, 63 cents a share in the March quarter, and $1.18 a share in the June quarter.

Symptoms

On the basis of price-earnings ratios, dividend yields, relation of the latter to bond yields, and the volume of stock buying on margin, the market remains, of course, on a sounder basis than in 1929, the year of the great nonsense. But there are some aspects which remind experienced observers of 1929, and which are characteristic of an advanced market level. One is the increased number of stock splits and the avidity with which people bid up for stocks on stock-split news, rumors or hopes. Another is increased equity financing, which in recent months has been at the highest level in some years. Another is the flood of mergers and sharp run-ups in prices of stocks on rumors that this or that company is going to be acquired by a bigger company, or on advance buying by informed insiders. An outsider never knows whether a merger rumor is true or false until a deal is officially announced or denied. Sometimes a denial can be misleading, meaning merely that the deal has not yet been settled. In the long run, earnings and dividends determine stock values, not mergers. Maybe a merger can increase earning power, maybe not.

Splits

There were over a hundred stock splits in the first half of this year. Others are coming if the market holds up. Most higher-priced stocks are possibilities for splits. In a few instances, where family managements seem uninterested in broadening the number of stockholders, the price makes no difference. For instance, Rohm & Haas is currently at 372, Superior Oil of California at 995. Both have been at appropriate stock-split levels for some years, but a split of either would be a surprise. Some stock-split possibilities are Bethlehem Steel, duPont, Hercules Powder, International Paper, Kennecott Copper, Minnesota Mining & Mfg., Reynolds Metals, Sears, Roebuck (this one known to be "under consideration"), Standard Oil (New Jersey), Texas Company and Zenith Radio.

Purpose

A stock split might have a very specific purpose in some instances. It could be to facilitate future equity financing, or to facilitate possible future distribution by insiders. One may at least wonder about motives when the price of the stock involved is already at a moderate level, share capitalization is relatively small, market thin and insider holdings are large. Life Savers has been a sluggish income stock in the past, with merit as a good dividend payer. It never got more than a fraction above 40 before 1954 or above 50 until a few months ago. A relatively sharp run-up to 57 preceded surprise news of a two-for-one split proposed by directors July 20, accompanied by a boost in regular dividend rate to the equal of $2 on the old shares, from $1.60 previously. Whether this change will mean a smaller year-end extra than last year's $1 remains to be seen. The record total payment so far was $2.80 in 1947. Insider holdings are large. There were only 687,519 old shares outstanding. The stock has risen further after the split news to 62 currently, at which it is selling in the vicinity of perhaps 15 times 1955 earnings.

Strange

One of the strangest splits on record was Rexall Drug, divided two-for-one in 1946, with the decision made when the stock was in the low 30's and with some 1,750,000 shares outstanding and the market active. It ran up to 38¾ on the news, equal to 19⅜ on the present stock, which never again remotely approached that level and which is at 9⅝ now. Splits are usually characteristic of growing, vigorous companies. This exception to the rule points up the moral that a split does not necessarily assure more than temporary capital gain for shareholders. In a split stock, you merely get a a smaller slice of the same pie. Be sure the pie is good, and not too expensive. Earnings and dividends are still decisive.

Speculation

At 23¼, against 1954 low of 16¼ and 1951 high of 58¼, Celanese Corp. could be a good speculation for those willing to stick with it for, say, a couple of years; and it might be profitable sooner in anticipation of better things to come for the company. Present revival in the rayon-textile business is helpful; but there appear to be bigger future possibilities in the company's new synthetic fiber Arnel, in other new fibers "in the works", and in domestic and foreign cellulose-chemical operations. Meanwhile, 1955 earnings may be $1.50 a share or more, against 1954's poor 32 cents, down from $6.39 in 1950. They could be widely higher some time hence.

DECREASES SHOWN IN RECENT EARNINGS REPORT

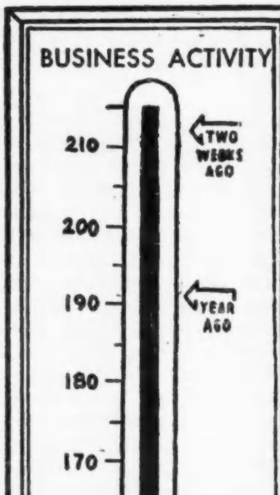
		1955	1954
American Steel Foundries	9 mos. June 30	$1.98	$2.60
Douglas Aircraft Co.	Quar. May 31	1.78	2.78
Chicago Corp.	6 mos. June 30	.86	.98
El Paso Natural Gas	12 mos. May 31	2.15	2.89
New York Air Brake	6 mos. June 30	1.10	1.33
Buffalo Forge Co.	Quar. May 31	.46	.62
Barker Bros. Corp.	6 mos. June 30	.54	.85
American Chicle Corp.	Quar. June 30	1.20	1.26
Imperial Oil Ltd.	6 mos. June 30	.82	.87
National Supply	6 mos. June 30	2.86	3.06

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A

Business outlays for new plant and equipment in the second quarter of this year rose about 6% from the like 1954 period and an even sharper rise is in prospect for the current three-month period. Indications are that the current quarter will be at a $29 billion annual level, equaling the previous peak, reached in the third quarter of 1953. An increase in the amount of funds retained from current operations has facilitated the financing of outlays. Federal Reserve Board aides have noticed a rise in business demands for long and short-term credit in recent months and larger corporate securities offerings designed to bring in new capital.



Industry is finding that, after spending tremendous sums on new plants and machines, it still must spend added billions to trim costs and keep up with demand. Pressure to expand and purchase new equipment is showing up in one place after another. Supplies of basic materials, such as steel, aluminum and nickel, are tight despite the record expansion of recent years. Since the end of World War II, business has expended nearly $220 billion for new plant and equipment. In 1953, a record $28.3 billion was spent. Last year, a modest decline to $26.8 billion was registered. If 1955 does not eclipse the record of two years ago, it will, at least, be close to it.

Spending for plant and equipment declined after reaching its peak in the third quarter of 1953. That slow, steady drop continued into early 1955, but the boom conditions of the economy apparently have caused business leaders to change their mind about the prospects for markets. Among industries expected to increase capital expenditures from the 1954 level are iron and steel, electrical machinery, glass and ceramics, rubber, mining, railroads and other lines of transport, and public utilities. The auto industry, of course, is outstanding.

The petroleum industry, as another example, shows a fairly steady increase in spending year after year, though the estimated total for this year is just about the same as in 1954. New discoveries bring obsolescence in refining equipment rather quickly, and the use of gas, oil and chemicals from petroleum grows steadily over the years. The Interior Department has advised the Government to encourage more expansion in the oil and gas industry. Many industries, catalogued as defense-supporting, have been encouraged to expand in recent years by quick tax write-offs. But now Secretary of the Treasury Humphrey has warned Congress the program is "an artificial stimulus of a dangerous type." He has called for a sharp reduction in the use of special tax incentives to encourage industrial expansion for defense. While Mr. Humphrey did not specify the types of industrial facilities he would shut off from rapid amortization in the future, it is believed that he had in mind oil and gas pipelines, steel mills, railway equipment, electric power utilities and others that might be said to be vital to the national defense.

The quick tax write-off allowance from the Government permitted a company to deduct the cost of a new facility from its taxable income at a faster rate than normally allowed. This meant the company was in a better position to finance expansion and to repay loans.

Whatever the decision on the tax write-off program, there is no likelihood that in such fields as public utilities, steel and automotive, we shall soon witness a contraction. The electric-power industry, as a case in point, sees no end of growth. Domestic capacity is to be increased from 103.6 million kilowatts at the end of last year to 138 million by the close of 1958.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Interest rates have been moving higher in recent months in keeping with the growing demand for credit brought on by the boom in the economy. In New York, where the pace generally is set for the rest of the country, the cost of short-term loans to borrowers was increased on July 20 for the fifth time in 1955. Commercial paper dealers in that city jumped their rates ⅛ percentage point. This followed rises of ¼ point in January, another ⅛ point in March and two more ⅛ point increases in April. The latest increase by dealers, who act as middlemen between borrower and lender, puts prime four-to-six-month commercial paper at 2⅛%. This is the rate for short-term unsecured notes of leading companies with top credit rating. Paper of small finance companies sold through dealers has gone to 2½% from 2⅜%.

The trend toward higher interest rates is of major economic significance. At the least, it entails additional operating costs and, at worst, causes postponement of business plans. A buoyant economy has sent bank loans up sharply from 1954, when business was at a somewhat lower level and there was a tendency to live off inventory. A radically altered pattern has emerged this year. Indeed, the demand for credit in the first half of 1955 has risen steadily. Even in the boom year of 1953, business loans during the first half declined. Traditionally, bank loans go up in the last half of the year, when commodity dealers and food processors borrow to finance purchases of crops, and wholesale and retail concerns seek funds to handle inventories that will not be moved before the Christmas selling season. Since these loans come due in the first half of the following year, business loans usually drop during that period. In the decline of 1954, the Federal Reserve kept the banks liberally supplied with money. As business picked up, the Federal Reserve allowed loanable funds to contract.

That the monetary authorities have no intention of permitting the supply of credit to get out of hand is evidenced by a glance at the "free reserves" of the banks which averaged $132 million in June, compared with $712 million a year ago. Banks, of course, are required to keep on deposit with the Federal Reserve System, funds equal to a specified percentage of their own deposits. Free reserves are equal to excess reserves minus any borrowing by the banks from the System. As long as the rapid upward pace of business continues, it is expected that the Central Bank will continue to keep a tight rein on reserves, to prevent monetary factors from adding unhealthy impetus to the expansion.

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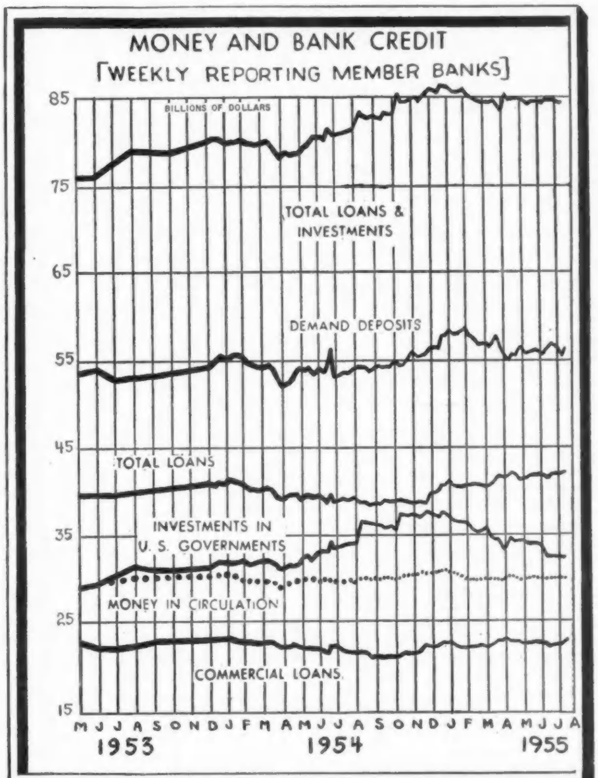
TRADE—Retail sales thus far in July are sticking close to their all-time highs. Dun & Bradstreet estimates that dollar volume for the week ending Wednesday, July 20, topped the corresponding 1954 week by about 5%. Apparel sales were off seasonally while demand for food



was at a new high. Demand for automobiles is falling off but it is still well above a year ago.

The Commerce Department's advance report on retail sales indicates that June results, after seasonal adjustment, were unchanged from the previous month and 6% ahead of a year ago.

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INDUSTRY—Industrial output rose further in June despite the short-lived steel strike. The Federal Reserve Board's seasonally adjusted index of output reached a new high at 139% of the 1947-1949 average, up from 138% in May. Among makers of durables, output of producers' durable equipment and of household goods increased. Steel output, which had been at 97% of capacity in May, averaged 94% in June, with mill operations falling to 71% in the week beginning June 27. Following the wage settlement, production was back to 94% of capacity by mid-July.

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COMMODITIES—The Bureau of Labor Statistics' index of spot prices of (Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	May	3.3	3.2	3.3	1.6
Cumulative from mid-1940	May	590.0	586.7	547.7	13.8
FEDERAL GROSS DEBT—$b	July 19	276.3	274.3	270.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	July 13	56.1	55.3	53.7	26.1
Currency in Circulation	July 20	30.3	30.4	29.9	10.7
BANK DEBITS—(rb)**					
New York City—$b	May	63.4	57.6	60.7	16.1
344 Other Centers—$b	May	107.7	102.7	92.1	29.0
PERSONAL INCOME—$b (cd2)	May	301.1	298.9	286.7	102
Salaries and Wages	May	207	205	196	99
Proprietors' Incomes	May	49	49	48	23
Interest and Dividends	May	26	26	25	10
Transfer Payments	May	18	18	17	10
(INCOME FROM AGRICULTURE)	May	15	15	16	3
POPULATION—m (e) (cb)	June	165.0	164.8	162.2	133.8
Non-Institutional, Age 14 & Over	June	117.3	117.2	116.2	101.8
Civilian Labor Force	June	66.7	65.2	65.4	55.6
Armed Forces	June	3.0	3.1	3.3	1.6
unemployed	June	2.7	2.5	3.3	3.8
Employed	June	64.0	62.7	62.1	51.8
In Agriculture	June	7.7	7.0	7.6	8.0
Non-Farm	June	56.3	55.7	54.5	43.2
Weekly Hours	June	41.8	41.9	42.5	42.0
EMPLOYEES, Non-Farm—m (lb)	June	49.3	48.9	48.2	37.5
Government	June	6.8	6.9	6.7	4.8
Trade	June	10.6	10.5	10.4	7.9
Factory	June	13.0	12.9	12.4	11.7
Weekly Hours	June	40.7	40.8	39.5	40.4
Hourly Wage ($)	June	1.87	1.87	1.81	77.3
Weekly Wage ($)	June	76.11	76.30	71.50	21.33
PRICES—Wholesale (lb2)	July 19	110.0	110.3	110.4	66.9
Retail (cd)	May	207.8	207.9	208.7	116.2
COST OF LIVING (lb2)	May	114.2	114.2	115.0	65.9
Food	May	111.1	111.2	113.3	65.9
Clothing	May	103.3	103.1	104.2	59.5
Rent	May	130.3	129.9	128.3	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	May	15.4	15.3	14.0	4.7
Durable Goods	May	5.5	5.5	4.7	1.1
Non-Durable Goods	May	9.9	9.7	9.3	3.6
Dep't Store Sales (mrb)	May	0.89	0.90	0.82	0.34
Consumer Credit, End Mo. (rb)	May	31.6	30.7	28.4	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	May	27.7	26.1	22.0	14.6
Durable Goods	May	14.4	12.9	9.6	7.1
Non-Durable Goods	May	13.3	13.2	12.1	7.5
Shipments—$b (cd)—Totals**	May	26.5	26.0	23.3	8.3
Durable Goods	May	13.3	12.8	11.3	4.1
Non-Durable Goods	May	13.3	13.2	12.1	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	May	78.3	77.7	78.9	28.6
Manufacturers'	May	43.5	43.3	44.3	16.4
Wholesalers'	May	11.8	11.7	11.8	4.1
Retailers'	May	23.0	22.8	22.8	8.1
Dept. Store Stocks (mrb)	May	2.5	2.4	2.4	1.1
BUSINESS ACTIVITY—1—pc	July 16	214.4	211.3	191.3	141.8
(M. W. S.)—1—np	July 16	272.4	268.4	238.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 607)

22 leading commodities was somewhat lower in the two weeks ending July 22, losing 0.8%, to close at 90.3% of the 1947-1949 average. Components of the index showed widely divergent trends. Foods were off 4.0%, textiles lost 0.5% and fats and oils declined 4.6%. At the same time industrial materials advanced 1.6% and metals added 4.6%.

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CONTRACT AWARDS for new construction were higher in June, amounting to $2,255 million for the 37 states east of the Rockies, according to compilations of F W Dodge Corporation. This is 30% ahead of a year ago and brings total awards for the first half to $11,983 million, also a 30% advance from the corresponding 1954 period. In the latest month, awards for residential building made the best year-to-year gain, one of 32%. Non-residential contracts were 28% higher and heavy engineering awards registered a 29% gain. The advanced levels of current contract awards is a virtual guarantee of a high rate of actual construction in nearby months.

* * *

The **PAPER INDUSTRY** has been rolling up new production highs in recent months. Domestic output of paper and paperboard for the first half-year set a new high of 14,704,000 tons, a gain of 11.3% over the January-June period of 1954, the American Paper & Pulp Association has reported. **NEWSPRINT** output also hit a new high, amounting to 3,793,533 tons in the first half for the United States and Canada combined, an 8.0% gain over a year ago. Consumption has been similarly strong with a 7.1% advance. Mill stocks of newsprint at Canadian and U.S. mills amounted to 138,336 tons at the end of June versus 160,321 tons on hand a year ago.

* * *

NET LIQUID SAVINGS by individuals were lower in the first quarter, amounting to $1.7 billion, as against $4.1 billion in the preceding three

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	June	139	138	124	93
Mining	June	122	121	114	87
Durable Goods Mfr.	June	153	153	135	88
Non-Durable Goods Mfr.	June	128	127	114	89
CARLOADINGS—t—Total	July 16	799	653	695	933
Misc. Freight	July 16	370	307	332	379
Mdse. L. C. I.	July 16	66	56	59	66
Grain	July 16	75	60	70	43
ELEC. POWER Output (Kw.H.) m	July 16	10,440	9,759	8,951	3,266
SOFT COAL, Prod. (st) m	July 16	9.7	7.3	7.2	10.8
Cumulative from Jan. 1	July 16	236.8	227.1	197.5	44.6
Stocks, End Mo.	May	66.3	64.0	69.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	July 15	6.6	6.6	6.3	4.1
Gasoline Stocks	July 15	159	159	162	86
Fuel Oil Stocks	July 15	45	45	53	94
Heating Oil Stocks	July 15	109	105	95	55
LUMBER, Prod.—(bd. ft.) m	July 16	231	156	132	632
Stocks, End Mo. (bd. ft.) b	May	8.8	8.9	9.4	7.9
STEEL INGOT PROD. (st) m	June	9.7	10.3	7.4	7.0
Cumulative from Jan. 1	June	57.2	47.5	44.1	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	July 21	361	578	259	94
Cumulative from Jan. 1	July 21	10,742	10,381	7,816	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	July 16	229	226	192	165
Cigarettes, Domestic Sales—b	May	34	29	31	17
Do., Cigars—m	May	506	446	480	543
Do., Manufactured Tobacco (lbs.)m.	May	18	16	17	28

PRESENT POSITION AND OUTLOOK

months and $2.8 billion a year ago, The Securities & Exchange Commission has reported. Actual savings in the latest period, before deducting the increase in debt, came to $4.4 billion versus $2.8 billion in the first quarter of 1954. The figures are not actually comparable however because this year's shift in the tax date to April bolstered first quarter savings. Debt obligations rose by $2.7 billion in the first three months of 1955 as the result of increased mortgage borrowing. A year ago home mortgage debt was only $1.4 billion higher and this was offset by a corresponding drop in consumer debt.

* * *

The number of **BUSINESS FAILURES** declined seasonally in June, with 914 firms closing their doors, as against 955 failures in May and 965 a year ago. Dun's Failure Index, which measures the mortality rate of business, was off to 41 in June, from 42 the previous month and 43 a year ago. LIABILITIES of failing firms were higher in June, advancing to $36.7 million from $34.7 million in May, but under the $41.6 million of June, 1954.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

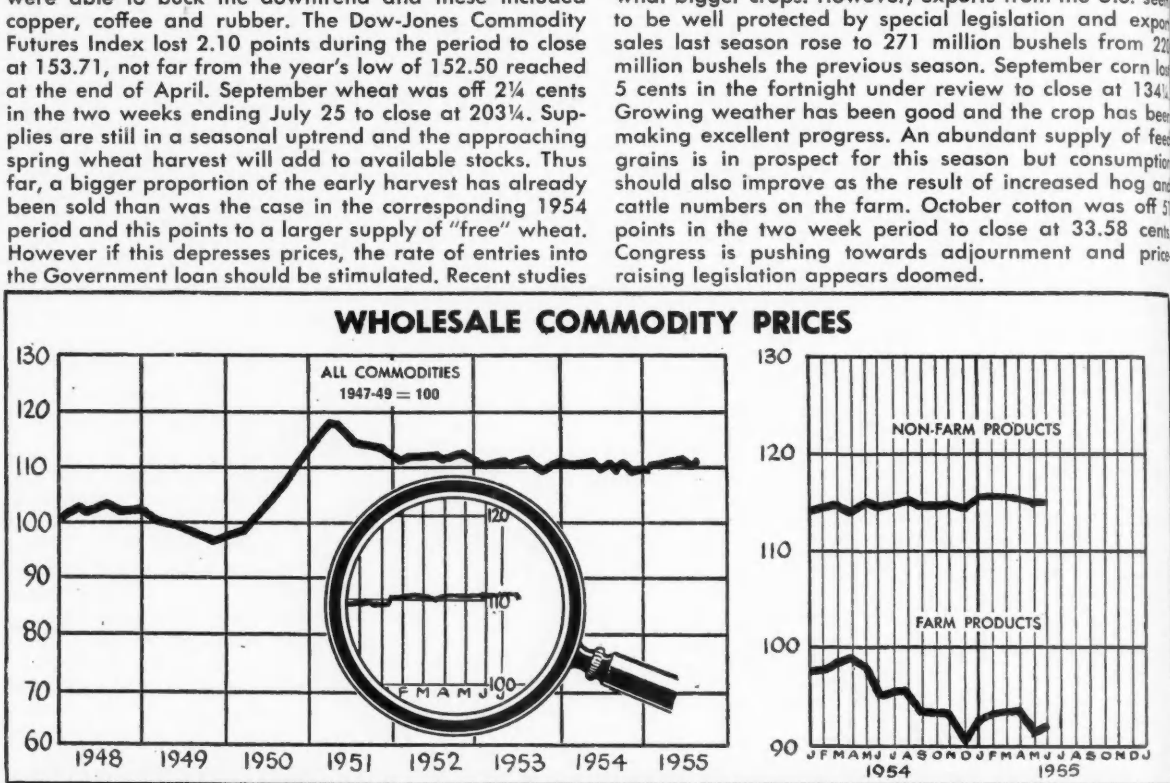
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 July 15	1955 July 22
300 Combined Average	322.1	282.0	317.4	322.1H
4 Agricultural Implements	340.6	264.9	340.6	329.8
3 Air Cond. ('53 Cl.—100)	116.0	97.4	98.6	99.8
10 Aircraft ('27 Cl.—100)	1084.9	871.7	871.7	899.5
7 Airlines ('27 Cl.—100)	1263.6	971.2	1190.5	1232.2
4 Aluminum ('53 Cl.—100)	331.0	191.1	323.1	325.1
7 Amusements	179.0	147.0	177.4	177.4
9 Automobile Accessories	355.9	308.3	352.8	355.9H
6 Automobiles	53.0	44.3	52.1	53.0H
4 Baking ('26 Cl.—100)	30.3	27.8	29.5	30.3
3 Business Machines	930.6	657.4	884.1	904.0
6 Chemicals	564.9	466.6	545.2	555.1
3 Coal Mining	19.4	14.8	18.0	18.0
4 Communications	116.6	103.9	112.4	116.6
9 Construction	122.9	106.4	119.6	122.9
7 Containers	747.7	675.1	725.9	725.9
7 Copper Mining	291.7	222.2	280.1	287.1
2 Dairy Products	127.0	117.6	124.7	124.7
6 Department Stores	96.2	80.0	95.3	96.2H
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	144.5	148.5
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	168.5	170.0
2 Finance Companies	651.1	589.6	608.1	632.6
6 Food Brands	300.6	266.6	282.3	284.9
3 Food Stores	149.2	137.7	146.3	147.8

(Nov. 14, 1936 Cl.—100)	High	Low	1955 July 15	1955 July 22
100 High Priced Stocks	210.9	180.6	208.6	210.9H
100 Low Priced Stocks	387.5	343.5	380.4	387.5H
4 Gold Mining	806.0	670.5	684.8	670.5L
4 Investment Trusts	157.1	143.8	152.6	155.6
3 Liquor ('27 Cl.—100)	1090.9	961.3	1058.5	1069.3
9 Machinery	395.8	317.7	356.6	363.1
3 Mail Order	204.9	159.3	204.9	203.3
4 Meat Packing	134.4	112.8	126.0	128.4
5 Metal Fabr. ('53 Cl.—100)	183.7	155.9	177.1	178.8
10 Metals, Miscellaneous	416.1	358.2	405.2	416.1
4 Paper	1009.4	767.1	960.9	993.2
22 Petroleum	674.2	590.0	668.2	674.2
22 Public Utilities	253.8	234.8	251.4	253.8H
7 Railroad Equipment	88.4	73.4	83.1	85.4
20 Railroads	77.9	64.7	75.9	76.6
3 Soft Drinks	565.7	459.9	551.9	565.7H
11 Steel & Iron	282.5	219.2	278.0	282.5H
4 Sugar	68.8	56.1	61.8	61.8
2 Sulphur	955.7	813.2	897.0	905.4
10 Television ('27 Cl.—100)	47.3	40.7	45.2	45.6
5 Textiles	187.4	148.4	176.9	184.4
3 Tires & Rubber	165.3	137.8	153.7	156.6
5 Tobacco	90.5	81.9	87.1	90.5H
2 Variety Stores	315.0	286.9	296.3	308.8
15 Unclassif'd ('49 Cl.—100)	158.1	146.3	153.7	158.1H

H—New High for 1955. L—New Low for 1955.

Trend of Commodities

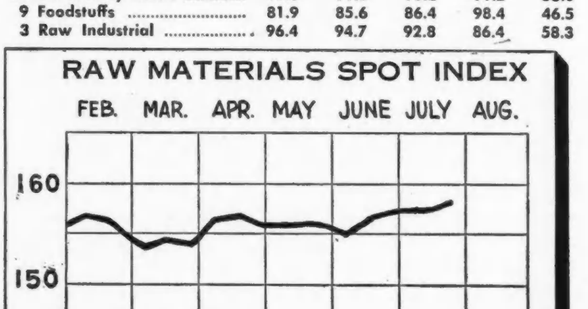
Commodity futures were generally lower in the two weeks ending July 25, in consonance with the improved outlook for international harmony. Several commodities were able to buck the downtrend and these included copper, coffee and rubber. The Dow-Jones Commodity Futures Index lost 2.10 points during the period to close at 153.71, not far from the year's low of 152.50 reached at the end of April. September wheat was off 2¼ cents in the two weeks ending July 25 to close at 203¼. Supplies are still in a seasonal uptrend and the approaching spring wheat harvest will add to available stocks. Thus far, a bigger proportion of the early harvest has already been sold than was the case in the corresponding 1954 period and this points to a larger supply of "free" wheat. However if this depresses prices, the rate of entries into the Government loan should be stimulated. Recent studies by the Foreign Agricultural Service indicate that thi year's world wheat supplies may reach a new high a the result of the large carryover plus prospects for some what bigger crops. However, exports from the U.S. seem to be well protected by special legislation and expor sales last season rose to 271 million bushels from 22 million bushels the previous season. September corn los 5 cents in the fortnight under review to close at 134¼ Growing weather has been good and the crop has bee making excellent progress. An abundant supply of fee grains is in prospect for this season but consumptio should also improve as the result of increased hog an cattle numbers on the farm. October cotton was off 5 points in the two week period to close at 33.58 cent Congress is pushing towards adjournment and price raising legislation appears doomed.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date July 22	2 Wks. Ago.	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.3	91.0	90.2	91.2	53.0
9 Foodstuffs	81.9	85.6	86.4	98.4	46.5
3 Raw Industrial	96.4	94.7	92.8	86.4	58.3

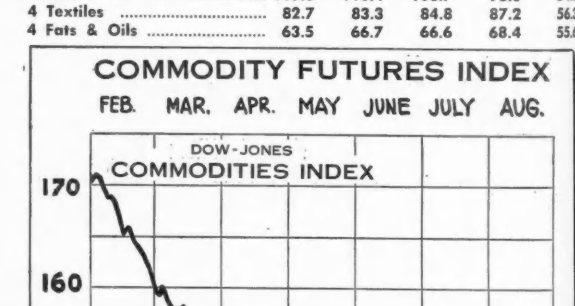
	Date July 22	2 Wks. Ago.	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	115.0	110.4	106.7	96.0	54.6
4 Textiles	82.7	83.3	84.8	87.2	56.3
4 Fats & Oils	63.5	66.7	66.6	68.4	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	157.4	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	93.
Low	152.5	153.8	168.3	174.8	83.6	58.7	57.5	64.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Continental Can Co.

"I have some Continental Can Co. stock and have been wondering whether this stock qualifies as a good long-term investment with moderate growth prospects. Your advice will be greatly appreciated." *T. J. Cincinnati, Ohio*

Continental Can is the second largest manufacturer of metal containers and the largest manufacturer of fiber drums. Through acquisition of a number of small companies, it has diversified its lines to include plastic-coated paper plates and flexible packaging materials and plastic bottles and pipe, etc. for a wide range of consumer and industrial products. Further expansion of the company's operations enhances the longer term outlook and the stock warrants retention for its growth prospects.

Continental Can Co.'s net sales and earnings for the 6 months ended June 30, 1955, again established new records for the period, with sales up to $306,047,599 from $285,536,539 in 1954 and earnings increased to $10,289,395 from $9,131,932.

The earnings were equivalent to $2.74 per share on 3,658,331 common shares outstanding at June 30, 1955, compared with $2.48 per share in the 1954 period on 3,558,431 shares outstanding at June 30.

Before income taxes, earnings for the six months of $21,471,395 compared with $18,088,432 for the same period last year. Depreciation and depletion amounted to $6,502,734 against $5,837,508 in the six months of 1954. Income taxes provided for the period totaled $11,182,000 compared with $8,956,500 in 1954.

For the June quarter, net earnings were $7,090,011 on sales of $171,555,064 compared with $6,131,615 earned on $157,555,782 of sales for the quarter last year. Per share earnings for the quarter were $1.90 in 1955 and $1.67 in 1954.

Dividends thus far this year have been at 75¢ quarterly. Full year 1954 dividends amounted to $2.70 per share.

Full year 1954 earnings rose sharply to $5.52 a share, from $4.29 in 1953. Sales in recent years have shown a good increase and further sales gains are anticipated over coming months.

Consumers Power Co.

"I am interested in a defensive issue in a good quality utility. Would Consumers Power Co. qualify? Please give me some earnings data." *C. J., Tucson, Arizona*

Consumers Power Co. provides electric or gas service in the southern peninsula of Michigan. The company is one of the largest domestic utilities. The territory served consists of approximately 28,500 square miles and has a population in excess of 3 million. Industry diversification is good, including the automobile, automobile equipment, chemical, food products, household appliances, metal and metal products and many other fields. The company also supplies steam heat to a few of the communities served in its territory.

The stock is regarded as a good defensive issue in the utility field, offering a fair income return.

Consumer's Power Co. reported gains in operating revenues and net income for May and for twelve months ended May 31, 1955. Operating revenues for 12 months reached $177,443,008 from the $163,978,698 reported a year earlier. Net income of $27,486,069 equal to $3.23 a share, compared with $25,730,011 or $2.99 a share in the like 1954 period. Operating revenues for May were $14,751,361, compared with $13,802,058, and net income was $2,358,005, against $2,354,431 a year earlier.

The Michigan company traced the improvement to a combination of gains in the industrial electrical revenues, up 18% for the first four months, and industrial and gas commercial revenues, up a like amount. Gas for space heating increased 7%, largely because of the cool spring, while residential electric sales gained 8% in dollar revenues in the first four months, topping industrial revenues by some $3,600,000.

On June 30th, company announced filing of a petition with Michigan Public Service Commission for approval of accounting procedures in connection with proposed investment of $2,500,000 over a 5-year period for construction of a 100,000 K.W. atomic power plant costing $45 million by a utilities group headed by Detroit Edison Company. About 5 years would be required for completion of full facilities following AEC authorization.

Company offered stockholders of record July 21st additional shares totaling 373,689 common shares at a price of $45.25 a share on basis of one share for each 20 shares held. Rights expire August 5th.

Railroad Equipment Move Into New Fields

(*Continued from page* 593)

essential to defense needs. Now the government has cooled off toward the entire program of fast tax write-offs and the carriers are threatening to curtail new orders if the federal program is dropped.

Parade Passed Them By

The railroads, if anything, have shown less faith in their business than in the over-all economy. Many of their passenger trains are asthmatic relics, which the traveling public has bypassed for the airplane, automobile and even the bus. The president of one of the top railroads of the nation has confided that cross-country passenger haulage must be ceded to the airlines, although he holds out hope for overnight trips by railroads if the carriers are far-sighted enough to install the new lightweight passenger trains. A handful of rail-equipment makers already is in the market with trains that have a low center of gravity and are designed for fast acceleration and high speed on curves. Because of their lightness and simplicity of design, even the prototypes of the new trains can be bought for well under $1 million, or substantially less than conventional trains of equal capacity. The five new lightweight trains, their builders and buyers are:

Talgo, an American version of a train used in Spain, has been constructed by ACF, with one sold to the Rock Island and another to New Haven. Train X, basically the unit developed by Chesapeake & Ohio, has been built by Pullman and one each has been ordered by New Haven and New York Central. The third train is a unit conceived by Pennsylvania and called the Tubular because the car is of tubular construction. Budd Co. is building it for Pennsylvania. Budd also is building the Hot Rod RDC, a modification of the self-propelled rail-diesel car and has an order from New Haven for a six-car train. Finally, G. M. has come up with a lightweight train that has captured the fancy of the Pennsylvania management.

The rail-equipment firms, while not as well prepared as of yore to serve the carriers, welcome the windfall. Major research and development are concentrated in newer fields. From single-product companies they have branched out into hodge-podge of items, with emphasis on atomic energy, electronics and petroleum supply.

Alco Products (alias American Locomotive), which has been turning out locomotives since the turn of the century, adopted the name in 1955 after a year in which the "new company" emerged. More than 41% of 1954 sales, totaling $187,222,000, was in growth lines. In the space of that year, Alco introduced 18 new products, all directed to the power, chemical, petroleum and atomic markets. One of the most significant single developments in its history came about last year with a contract awarded to Alco by the Atomic Energy Commission for the construction of the world's first atomic energy package power plant. At the same time, locomotive orders increased, but it is not likely that the old name ever again will accurately reflect its major business activities.

Westinghouse Air Brake Co. stockholders at the annual meeting learned that sales and earnings for 1955 were sharply ahead of last year. Almost the entire sales gain reflected volume in non-railroad divisions. Divisions selling to the rail industry gained a mere $500,000 while the other divisions registered a jump of about $6 million. The big boost in company fortunes has come from high-level construction and road-building. This firm has a long history of designing and fabricating an extensive line of complicated equipment for the carriers. When Edward O. Boshell became president and chairman four years ago, he entered a business which was dependent on a single industry. He hastened to diversify and was backed up by $25 million in excess working capital. It was quicker and cheaper to buy the new products than to develop them. In rapid succession, Mr. Boshell bought four companies out of more than a hundred under consideration. They needed the working capital that reposed in the Westinghouse treasury. Melpar's acquisition put the company into electronics, Le Roi gave it entree to a wide line of machinery products for industry, George E. Failing Co. gave it an important line of drilling rigs for the mineral industry and R. G. LeTourneau put the company into the earth-moving and highway-building business on a large scale.

Back in 1949, when Westinghouse Air Brake was merely a servant of the railroad industry, volume skidded to $76 million from nearly $90 million a year earlier. By 1950, sales were down to $62 million. Now highly diversified, business is percolating at an annual clip of $150 million, a volume never attained in the 85-year history of the company.

Pullman, the kingpin of this industry, was organized in 1867, as Pullman's Palace Car Co., building and operating sleeping cars and other types of railway cars. Down the decades, Pullman has continued to lead in the building end of the business, but in 1947 its sleeping-car business was sold to the railroads, pursuant to court decree in a Federal antitrust suit. Three years earlier, however, Pullman was casting about for new products, doubtless convinced that its monopoly was doomed. It came up with M. W. Kellogg Co., which builds refinery plants and processes for the petroleum industry. Kellogg has begun to move into the plastics field on a large scale.

Pullman, Inc. is a holding company with three divisions, including Kellogg, operating as virtually separate businesses. Kellogg, incidentally, probably now is closing in on Pullman-Standard Car, long the chief subsidiary and major money-earner for the parent. Commercial builders do about 70% of the freight-car business, with the railroad shops making the other 30%. Pullman-Standard Car, since 1947, has done about 40% of the 70%. The third subsidiary is Trailmobile, acquired in 1951. It is the second largest builder of highway truck-trailers in the country. Trailmobile contributes on the order of 20% to Pullman earnings. Pullman promises to burgeon in yet another field—atomic energy. It has a $60 million contract for construction and engineering work, let by the Atomic Energy Commission. There is no profit, for the moment, in this field.

ACF has achieved one of the finest performances in new fields of all the companies in the rail-

(*Please turn to page* 620)

More and More People Are Doing Something About the Weather

Air conditioning is one of America's fastest growing industries. Here is what it does for you, and what steel does for it . . .

For years, Mark Twain's old saying made sense.

"Everybody talks about the weather, but nobody does anything about it."

But times have changed. Last year, sales of room air conditioners—for homes alone—hit the 1,125,000 mark, as compared with only 15,000 room air conditioners in homes throughout the United States in 1946.

A terrific increase in demand! Mainly responsible have been the many design and engineering improvements made by manufacturers, and the public's realization of the many benefits offered by air conditioning.

How it benefits you

To many, air conditioning means a cool brow, a dry shirt, an even temper on a hot, humid summer day. But it means and does much more. It cleans and circulates the air. It controls moisture and temperature. It ventilates.

If you work in an office, factory, store, or theater, air conditioning means refreshing air all around you, all the time. Consequently, you're more comfortable, work longer and more efficiently without weariness.

At home, it keeps fumes and dust out. This means less dusting, washing, reupholstering. You sleep better, too, and if you're a hay fever sufferer, you get greater relief.

And if you ride an air conditioned bus, train, or automobile, you feel more comfortable, less tired, after hours on the road.

And how it benefits industry

More than 200 different industries use air conditioning for almost as many reasons.

Textile manufacturers need it to maintain sufficient humidity to protect the size and shape of vegetable and animal fibres. In flour mills, it prevents stickiness, and it greatly reduces spoilage throughout the food industry.

Furniture makers use it to reduce damage from dust settling on high finishes before drying, and drug manufacturers count on it for cleanliness. And there are many, many other applications in laboratory, mill and factory.

Importance of steel

In the growth of the air conditioning industry, steel—America's great bargain metal—has played an important role. For it is steel that is a part of nearly everything having to do with air conditioning.

For example, the handsome cases of room air conditioning units are shaped from flat-rolled steel sheets or from special steels such as National Steel's Weirzin—and Weirzin Paint-Rite, an electrolytic zinc-coated steel designed to take and hold enamel or paint indefinitely.

Ducts for centralized air conditioning installations are also fabricated from flat-rolled steel sheets or from long-lasting galvanized steel like National's Weirkote. Movable parts require special wear-resisting steels . . . and structural members are formed from high-strength steel sheets and strip.

What about the future?

By 1960, half of all new homes in the United States are expected to have air conditioning. In five years air conditioning is expected to be used in one-fourth of all new automobiles, buses, office buildings, and most hospitals.

To meet this increasing demand, more and better steels will be needed. At National Steel, our research and production men will continue to work closely with all manufacturers to make the better products of the future.

It is our constant goal to produce better and better steel of the quality and in the quantity wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • The Hanna Furnace Corp. • National Steel Products Company • Hanna Iron Ore Company • National Mines Corporation

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

New Factors Emerging in Investment Markets

(*Continued from page* 573)

It is interesting to compare the yields on the above common stocks with yields now obtainable on good-grade preferred stocks:

Borg Warner	3.5%
Corning Glass	3.5%
DuPont	3.5%
Gen. Foods	3.6%
Gen. Motors	3.7%
Int. Paper	3.8%
Minn. Min. & Mfg.	3.8%
Crown Zell	4.0%

This group offers an average yield of approximately 3.7%. Thus, the difference of 33% in the obtainable yield in favor of good-grade preferred stocks is a factor of importance to investors primarily interested in yield, and causes an increasing number to take to preferred stocks, as a haven.

Similarly revealing comparisons can be made between the yields on stocks and those on high-grade bonds, though the spread is not quite so favorable as in the case of preferred stocks.

Stock Market Credit

We return now to the effect of money rates upon yields of securities. It is axiomatic that as money rates rise, prices of fixed-income securities decline with their yields rising proportionately to meet the rise in money rates. Therefore, any further increase in interest rates from now on will tend to depress the price of fixed-income securities and bring their yields up. Since the prospect is for a gently upward-inclining trend in money rates, this is equivalent to saying that the average price level of bonds and preferred stocks is likely to be somewhat lower in the period ahead.

As stated previously, the effects of higher money rates on common stocks are not so direct as with bonds but the trend of the volume of credit required by rising stock market activities is an extremely potent factor in the price of stocks in the long run.

It can be stated flatly that stock market credit is no longer abundant. In the past year and a half, customers' debit balances have risen from approximately $1.6 billion to $2.7 billion. This is the largest increase in customers' debit balances for an equivalent length of time, in any period of the market's history except in 1928-1929. Concern over this extraordinarily large increase in the absorption of credit for stock market purposes was expressed in the Fulbright investigation and brought about the recent two successive increases in stock market margins, or from 50% to the current 70%. It may be assumed that any further substantial increase in the volume of credit used for stock market purposes will bring about another advance in margin rates, with the possibility that all stock market transactions will be placed on a cash basis in the not too distant future. In other words, margins may go to 100%.

Any future restriction of stock market credit would probably have a greater effect on the stock market than a rise in interest rates itself. While this would be more important to the speculative than the investment areas of the securities markets, one must concede that any forced drying up of buying power for speculation in stocks would inevitably contract buying for investment. In any broad selling phase of the market all classes of stocks, regardless of their status, will move in the same general direction.

In this analysis, the writer is not attempting to forecast immediate trends in the investment markets. He has rather attempted to point out the fundamental factors operating and that these, in combination, will slowly but surely commence to exert an effect in causing investors to adopt a more conservative attitude.

It is recognized, of course, that economic factors continue highly favorable and that this is reflected in higher earnings and dividends, generally. Nevertheless, the discounting process in the market has been going on for quite a long time, as a result of which stocks have reached levels which to a large extent have taken better earnings and improved outlook for dividends into account. There will be many exceptions, of course, and, in fact, some stocks are now making belated response to the improved status of their companies. However, one should watch the money market perhaps even more closely than business conditions for a clue as to long-term investment trends, for, if precedent can be taken as a guide, an important and adverse change in the money market, which seems to be in the making, would tend to exert its traditional effect on the position of securities over the longer term. This is what investors must consider. —EN

Are Federal Deficits Here To Stay?

(*Continued from page* 576)

Aside from what might be regarded as that Constitutional question, it obviously is a sad day for budget estimators on the Executive side and for Members of Congress on the Legislative side when such conflicts occur. Who can say whether this appropriated money will be spent in view of the President's statement? The chances are it will not without further imperative Congressional action for which there is not time at this session!

Another element of confusion which lately entered the picture arises from the sharp cries uttered by Secretary of the Treasury Humphrey against the accelerated amortization of cost of new plants. This was started as a war measure to encourage companies to expand to meet urgent production demands. Actually, not a few industrial concerns have had second thoughts about the plan. By taking tax gains in the first five years instead of a twenty year amortization spread, they use up this hedge against future tax costs leaving nothing in the bank to meet future taxes. Aside from that, however, Secretary Humphrey says that removal of the tax advantage could bring in $800,000,000 a year, again upsetting budget calculations.

Before the expiration of the temporary increase in the debt limit to $281 billion it became apparent that there would have to be an extension which Congress granted. Secretary Humphrey has told Congress that "it is our firm intention to have any temporary increase in debt back to $275 billions by June 30, 1956." But that is precisely what was said when the increase to $281 billion was asked last year! The Secretary said Congress could help by "giving the most careful consideration to all budget expenditures and re

(*Please turn to page* 616)

General Mills' 27th year

KEY FACTS FROM THE YEAR ENDING MAY 31

	1955	1954
Total Sales	$513,651,149	$487,587,179
Earnings	12,383,500	11,188,853
Dividends	8,413,402	6,709,116
Earnings Reinvested	3,970,098	4,479,737
Net earnings—per dollar of sales	2.4c	2.3c
—per share of common stock	5.02	4.50
Taxes per share of common stock	8.16	6.69
Land, buildings and equipment	65,289,183	55,922,943
Working capital	67,930,732	68,305,462
Stockholders' equity	123,156,558	120,645,593

HOW THE SALES DOLLAR WAS DIVIDED LAST YEAR

80.0¢ for raw materials, services

13.2¢ to employees

3.6¢ for taxes

1.6¢ to stockholders

.8¢ for future development

.8¢ for wear and tear

For an illustrated annual report of General Mills' fiscal year, write . . . Dept. of Public Relations

GENERAL MILLS

Minneapolis 1, Minnesota

Are Federal Deficits Here To Stay?

(*Continued from page* 614)

jecting all requests for appropriations that are not absolutely necessary for fully adequate security for the Nation and proper services required for the people."

Year by year proposals for budget reform appear and year by year pressures from every side serve to nullify the best intentions. Even when strict rules appear to be accepted, there is always resort to urgent deficiency bills. No one in the history of fiscal legislation has ever heard of a deficiency bill that was not urgent!

More than $50 billions already have been appropriated but measures pending at press time would, if enacted, add many more billions. What, in a long view, is of greater importance is the growing disposition to forget the idea of a balanced budget, to regard a debt ceiling as a more or less academic consideration and the almost complete absence of recoil from the spectre of deficit financing! —END

Medium-Size Companies Profiting From New Markets

(*Continued from page* 579)

bettering existing products and creating entirely new products. At present, this creative drive is more active than ever. As an important supplier of their raw material, Rayonier's job right along has been to meet their current requirements and anticipate their future needs through development of new forms of cellulose. During some 28 years, the growth of Rayonier research and sales has gone along together. The research point of view continues to be taken into account in all major decisions. Management believes firmly in underwriting future growth through research and year after year sets aside increased sums for enlarged research organization and facilities.

Food, Paint and Titanium

The Glidden Co. grew out of a varnish company founded in 1875. In 1920, the company branched out in food products, so the modern trend to diversity is old stuff at this company. Has it paid off? Well, since pre-war 1940, sales and net profits have risen about fourfold.

Glidden, in recent years, has accelerated a basic decision for the elimination of products or activities which are minor, fundamentally divergent even in that diversified company, or incapable, under present circumstances, of producing a return commensurate with the financial or managerial investments required. Under this concept, it has abandoned certain activities over the past several years.

In 1951, Glidden sold the Hammond Type Metal business and since has devoted its attention, and profitably, to the Powdered Metal segment. In 1952, it disposed of its Portland, Ore., copra-crushing plant, owing to a decline in use of coconut oil and lack of a satisfactory hedging market. In 1954, it sold its Indianapolis livestock and poultry-feed business, but not the plant. A major consideration was that with only one mill it was not in a good competitive position on formula feeds and with the development of other soybean chemical products, Glidden needed the site. It also disposed of an interest in a manufacture of fish solubles for formula feeds. Also in 1954, Glidden disposed of its Oakland Lithophone operations as part of the basis of its move into expanded titanium dioxide operations.

The aforementioned steps freed in excess of $6 million, more than half of it in 1954, making these funds available for use in more profitable ways. Management expects to accelerate growth by the acquisition of profitable going enterprises or products, the creation of manufacturing facilities to expand present major activities and by bringing into production items created by its own or outside research.

Something In Common

We have cited in the foregoing a handful of companies, each with varied interests, but alike in that none qualifies as an industrial giant. But these companies, along with such concerns as Warner-Lambert, Halliburton Oil Well Cementing and Kaiser Aluminum, to cite a few more, have far more in common than their sub-giant stature.

They enjoy mutually healthy earnings and growth, are fair to their stockholders, develop new products through research inside their laboratories and from outside sources. Fiscal policies, generally, are marked by plant expansion and modernization, with attendant efficiency. In the years immediately following World War II, a time which was marked by the Dearth of a Salesman, these companies retained their sales vigor. Much time and attention has been directed toward establishment of aggressive, sound sales organizations. These companies are headed by highly able, farsighted men and the leadership invariably has groomed middle management for added responsibilities.

Indeed, these companies have fared so well in a time of drastic change that it would not be surprising to see a few of them gobbled up by corporations with far larger resources. It is a penalty many companies must pay today when giants cast about for thriving enterprises to bolster their earnings and diversify their interests. But then many of the companies cited here reached their present stature by swallowing smaller fellows. —END

Mixed Trend In Electrical Equipments

(*Continued from page* 590)

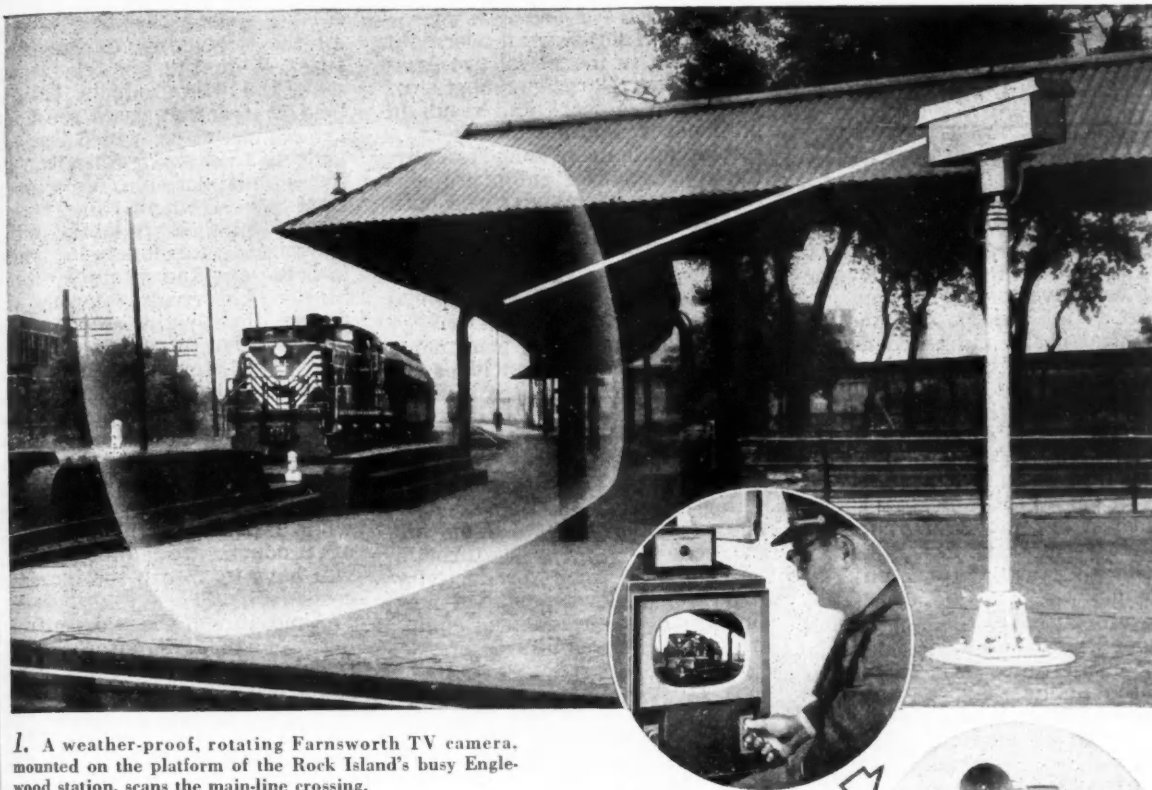
of the contract.

Atomic power is not merely an extension of the electrical art, but an entirely new approach in the power field. There is no question but that the nucleus of the atom must be utilized as a future energy source, because the tremendous electric power needs of the future are not likely to be met by using conventional fuels alone. Impact is not calculated to be sudden or dramatic and the process will be evolutionary rather than revolutionary.

Automatic Factories

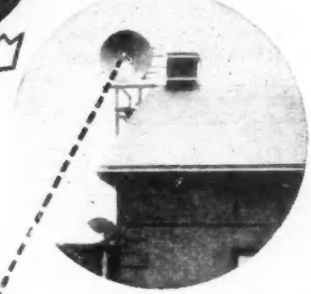
Production-line techniques have been adopted wherever and whenever feasible throughout American industry. There is nothing new in this, either in theory or

(*Please turn to page* 618)

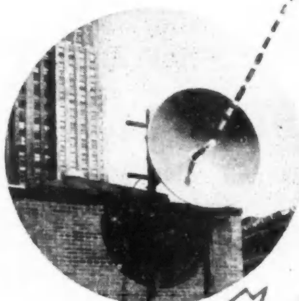


1. A weather-proof, rotating Farnsworth TV camera, mounted on the platform of the Rock Island's busy Englewood station, scans the main-line crossing.

2. The visual information is fed by cable to a TV monitor at the station.



3. Simultaneously, the picture is transmitted by Federal microwave from an antenna on the station roof.



4. A similar antenna receives the picture at the LaSalle Street Union Station and feeds it to another monitor there.

5. Thus, six miles away, Rock Island executives can see the actual loading and unloading of passengers, baggage, and mail, as well as other railroad operations.

Railroad's significant test of

IT&T VISUAL COMMUNICATION SYSTEM

suggests many applications for closed-circuit TV combined with microwave relay

The Chicago, Rock Island and Pacific Railroad has shown by this pioneering test how IT&T's TV-microwave system can help solve railroad traffic problems in high-density areas.

The same modern communications technique—product of IT&T research and development—is applicable to the solution of many other problems of traffic control and industrial operations over almost any distance and under practically all conditions.

IT&T

INTERNATIONAL TEL AND TEL

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION

67 Broad Street, New York 4, N. Y.

For further information on closed-circuit TV and microwave relay for railway use, address Federal Telephone and Radio Company, 100 Kingsland Road, Clifton, N. J.

Mixed Trend In Electrical Equipments

(*Continued from page* 616)

application. But the same people who make electrical equipment, electronic devices and pioneer in the atomic field are busy developing sensitive control mechanisms, such as the electric eye, the mechanical brain and allied devices to keep tab on the productive flow of factories and automatically tell the machines what to do. For example, it now is technically possible to record instructions for intricate machining or assembly operations electronically or on punched tapes and for a machine or series of machines to take it from there and turn out the product.

Automation — the single name under which these tremendous developments have been catalogued in the public mind—conjure up to some people a nightmare of wholesale joblessness as men are replaced by increasingly self-sufficient machines and even robot factories. They fear an overnight revolution in industrial processes will throw large numbers of people out of work and result in millions of families living on a sort of permanent dole. Actually, the application of automatic control devices in industry has been underway for some time with no such dire results.

G. E., as a leader of the electrical industry, has helped to evolve this new concept of productivity. There, the concept of continuous automatic production includes not only the progressive improvement of manufacturing operations but also, and equally important, the accompanying improvement of men's skills to equip them for the better jobs that are thus created. The company benefits from its advances in this field through bettering its own productivity and through development of new business in the creation of equipment for other manufacturers.

Big Fellows and Little Fellows

Let us move on now from the big fellows with the big products —they make the little items too, all the way down to the penny fuses — to the big fellows who make the little products. This is a field that encompasses the appliances, many of which are the gadgets that make American living so distinctive. The competition, aside from wartime periods when appliance production either is curbed or forbidden, invariably is fierce and the mortality toll is high. The rivalry never was fiercer than right now and the phrase "list price" is academic. Makers of appliances long have been caught in a price squeeze and the vise is getting tighter as labor and materials costs continue to bound ahead. Many of these manufacturers now are saying that they will have to raise prices, while others, fearful of the glut of product, are admitting they will have to absorb the increased costs.

A measure of the task confronting appliance manufacturers is the fact that they must sell a refrigerator, an electric iron or a washing machine to people who already own one. Less than 10% of the American homes wired for electricity are without a refrigerator, only 10% are without an electric iron and a mere 20% lack an electric washing machine. Nor can the industry count heavily on obsolescence of these creature comforts, since the bulk of them have been bought in the decade following World War II. Not that the industry isn't trying to make them outdated — vari-colored appliances are being offered, fold-into-wall equipment is being promoted, two-door refrigerators are popularized, along with a variety of other dodges designed to get folks to replace present appliances.

Thus, the industry must add to the rising cost of materials and labor, the sizable expense of designing new products and sales promotion. In the midst of the highest level of prosperity this country has ever known, the campaign seems to be paying off. The 64 million people at work at record high wages have helped to push appliance sales far ahead of a year ago. Electric dishwashers, with a sharply lower saturation factor than the others, are selling about twice as well as a year ago. Washing machines are ahead by about 40%, ranges 20% and sharp gains are noted in vacuum cleaners, freezers and refrigerators.

At Westinghouse, sales of elec-

ic appliances have been running 5% ahead of the 1954 showing nd indications are that the margin will be maintained for the ear as whole. The Frigidaire ivision of General Motors has hown a 25% gain. Here, too, the xpectation is that that percentage dvance will hold through the ear. There is a strong likelihood hat the American people, who lunked down $6.7 billion for appliances last year will spend more han $7 billion in 1955.

Whether this record level of ales will be translated into correspondingly higher profits is another question. As an example, in he fierce heat waves that gripped he nation in 1952, air-conditioning equipment sold out fast—and o discounts. This, too, has been hot summer, but half-price sales nd huge discounts are being ffered in July.

Much of the price-cutting is one by discount houses and, while the manufacturer gets the ame price regardless, these bargain shops are hurtful to dealer etups. Besides, they sell any number of off-brand items, which make serious inroads on old-line producers. Nor are these producers happy about the kind of installation and maintenance afforded by discount houses.

There is no clear-cut pattern on profits for the makers of appliances. Marked improvement, however, is being shown by such "name" companies as Maytag, Whirlpool, Electrolux, Hoover and Norge division of Borg-Warner.

Quite a few who got in, also got out. General Mills, a leader in the flour-milling business, took up appliances, but dropped these products when it appeared that the size of the investment was not justified.

Owing to the wide range and diversity of the product mix, no clear-cut pattern can be drawn from a study of the electrical equipments. The larger, more diversified firms appear to have fared best. But, aside from marginal operators, "red ink" operations are a rarity in this growth industry.

Thus, despite considerable saturation of the market, earnings reports of most leading TV makers have shown good year-to-year gains, but results for the final half are not expected to come up to 1954. Factory sales of TV receivers for this year are estimated at 7 million sets, slightly under the 7,317,000 units of 1954. Because of greater emphasis on lower-priced models, dollar volume is expected to be off to a somewhat greater extent than unit sales. Utility apparatus shipments are expected to be lower this year, despite an anticipated pickup in the final half.

Aside from a few marginal companies, dividends should range from unchanged to higher. Quite a few companies in this field have tended to distribute stock in lieu of cash to meet their growth needs.

A final note on the big companies: Their great stress on engineering and research make them important suppliers of defense materials. And, while this segment of the business seems to have passed its peak, it remains an important underpinning in the over-all scheme of things. Military purchase of such items as radar, loran, varied electronic devices and missiles, along with thousands of other products, runs into billions of dollars annually. —END

Railroad Equipment Move Into New Fields

(*Continued from page* 612)

equipment industry. Less than five years ago the company was closing plants and offering facilities for sale. One of the most important factors that aggravated its feast-and-famine periods in those days of major dependence on the carriers was the expense of carrying closed plants at times when business volume was low. While railway equipment and defense products continue to be the main part of the parent operations, new and improved industrial products, such as pressure storage tanks, pressure vessels, forge and foundry products, mixing containers and the like, now constitute a growing part of ACF.

ACF Electronics and Avion Instrument give the company a sizable stake in electronics and automation plus a variety of defense items. It is expected that much of the wiring in radio and television sets can be eliminated by the module devices developed by ACF Electronics. Important strides have been made by Avion in the field of guided missiles. Other vital earners are ACF Nuclear Energy Products, Carter Carburetor, Shippers' Car Line and W-K-M Manufacturing, which turns out valves for pipelines and oil wells.

The company's history as a car-builder goes back to the 19th Century. Riding the tractions today, you are apt to bump into a 50-year-old train it built and a brand new air-washed car produced by the new company.

The recent action of *Baldwin-Lima-Hamilton* in paring the dividend brought home to many investors the difficulties the railway equipments have encountered as they sought new fields. Nevertheless, expansion and diversification by the former Baldwin Locomotive Works in order to be less dependent on locomotive business is producing results. As part of the program, Baldwin in 1950 acquired the assets of the Lima-Hamilton Corp. and changed its name to Baldwin-Lima-Hamilton Corp. In 1951, this new company acquired Austin-Western Co. As a result of these acquisitions, locomotive manufacturing and building of replacement parts, by 1952, represented but 30% of Baldwin's consolidated operations compared with 45% in 1951.

Diesels, for which the company had become famous, accounted for a mere 20% of sales in 1953 and their importance to the over-all picture continues to diminish. Instead, the company's prime effort has gone into building earth-moving and construction machinery which, along with such items as ship propellers, water wheels and sugar cane milling machinery, have bulked so large that about 80% of the business now is non-railroad. Baldwin also has moved into the atomic field.

Prospects now appear brighter for these highly diversified companies than at any time since the end of World War II. Market-wise, of course, many companies have largely discounted the brisk business arising out of new fields of endeavor and the outlook for better business from the rails.

In any event, the industry has come a long way in the past few years. No longer can it be said that the only reason to buy such issues is that "they offer dollars at a discount." The industry has put its considerable capital to work—and profitably. —END

Is Farm Equipment Industry Turning Corner?

(*Continued from page* 599)

The upturn in farm equipment buying that began last Fall and broadened out during the second fiscal quarter, usually the best months for the business, has brought about a feeling of greater optimism on the part of the entire farm equipment industry. There's a basis for such sentiment. The steadily increasing population in this country and the corresponding need for more farm products as the size of farms increases and the number of farms and farmers declines is believed to presage a tremendous demand for new types of labor-saving and cost-reducing machinery. Supporting this view is the fact that since 1920, the number of farms in the U. S., has declined from about 6.5 million to 5.2 million, although the size of the remaining farms has increased from roughly 150 acres to an average of 215. Slowly, but steadily, the small farmer who utilized the services of his family and that of a couple of "hired" hands to work his acreage is disappearing, and the big farmer, taking his place, is confronted with the need for hiring more outside help, if he can get it, at rising wage rates. According to the U. S. Department of Agriculture, the cost of a farm worker per week has increased to about $30.75, including board and room, or $39.50 per week without board or room. For the big farms, the answer to the problems created by high costs and, at times, scarcity of farm labor, is more farm mechanization which means not only increased use of additional equipment but replacing obsolete machines with the newer, more efficient models.

Over the long-range, it seems, prospects for the farm equipment makers appear more promising. Although competition in Latin America and overseas is almost certain to grow, American producers of farm equipment operating in those countries or with sales organizations there should be able to obtain a good portion of the business. At home, while sale may fluctuate to form peaks and valleys from year to year, the trend in demand for farm machinery should be upward, reflecting the need for equipment for increased farm requirements and replacement sales. —END

What 2nd Quarter Earnings Reveal

(*Continued from page* 581)

comeback with earnings on the upgrade. They still have a great deal of ground to make up, however, before they return to a sound and satisfactory earnings position. Sugars, as noted in our last issue, are in a poor position, except for domestic refiners. Coal companies are benefiting moderately from a 12-months rise in demand from expanding industry. The liquor companies vary in earnings from poor to moderately good. Shipping company earnings should improve but are still far from satisfactory.

As we have now entered the usual period of summer letdown, attendant on vacations for the working force, needed retooling and repair work on plants, and changeovers in styling and production for the fall and winter season in all manner of equipment from automobiles to refrigerators and TV sets, a lull in the volume of general business activity is to be expected during most of the third quarter. Necessarily, this will tend to restrict earnings gains during the period. In the second installment of this analysis, appearing the next issue, we will discuss in greater detail the factors affecting sales, corporate profit margins and the general earnings trend that can be reasonably anticipated for the balance of the year.

We depart from our custom of presenting analyses of individual company earnings in this general review. These analyses will be incorporated in the 2nd installment to appear in the August 20 issue. —END

Office Equipment Makers

(*Continued from page* 597)

which its model is adapted and in which field it believes are the greatest potentials for computer sales. In weighing the potentials for National's continued growth one cannot overlook its operations conducted through its Overseas Division. That such investments have proved to be timely and profitable is attested by 9 years of successively higher sales. —END

What's New?

(*Continued from page* 603)

owned a one-third interest in a British subsidiary. Shortly before World War I, Kimberly-Clark laboratories developed cellucotton, an absorbent wadding which in turn became the basis for most of the products of International Cellucotton, which was organized in 1920. Kimberly-Clark, ranking as the nation's leading producer of machine-coated paper, also manufactures its own "absorbent" products, Kleenex, Kotex, Kimpak, Kimsul building insulation, etc. Last year International Cellucotton chalked up sales of $145 million and profits of $7.4 million, while Kimberly-Clark reported volume of $177 million with earnings totaling about $12 million or $2.84 a share. Kimberly proposes to pay an 8% stock dividend on its common, leading to a share for share exchange.

—END

How Near Are European Countries to Devaluation?

(*Continued from page* 586)

pound" that would conform to no rules during the transition period before the assumption of full convertibility. However, they favor, as was already pointed out, a widening of the margins within which the pound sterling would fluctuate. If a recent report from Zurich is reliable, the British exchange authorities would like to see the pound moving some three per cent above and below the official parity, or roughly between $2.71½ and $2.88½.

During the past few years, the Western European countries have been able to build up considerable gold and dollar reserves as a result of deficits in the international payments of the United States. These deficits largely reflected heavy defense spending abroad and economic aid. This year, with Western Europe's purchases here extraordinarily large, the United States' deficit in international payments is likely to be smaller and hence net earnings of dollars will be less.

However, Western European gold and dollar reserves are likely to be boosted by other acquisitions. As will be seen from the accompanying table not only world gold output expanding, b a far greater share of newly pr duced gold is now finding its wa into central bank reserves.

In addition, the Free World stocks of gold are being increas by Russian gold sales. In 19 and 1954 these sales aggregat about $125 million and this ye so far another $125 million or of gold was disposed of on We tern gold markets. At any rate, a period of about twenty month the Soviets must have sold mor gold than they produced, assum ing that they are the world second largest producer of th yellow metal. This, appears to in dicate the existence of a certai amount of pressure for goods, i Russia which may be due to th break-down of Russian and sate lite farm production, but it ma also indicate that the Soviets ar dipping into their gold hoard i order to provide their people wit such "luxuries" as sugar an meat and a greater variety o clothing.

Under Stalin, the people woul have been forced to tighten thei belts, but the new leaders, non too sure of themselves, recogniz the fact that incentives are neede to make the new class of mana gers, engineers, trained foreme and skilled technicians work ef fectively.

—EN

As I See It!

(*Continued from page* 569)

in the West, who, sooner or later may have to deal with the prob lem of how to expand East-We trade are handicapped in evaluat ing conditions in Russia becaus of the calculated methods of sta tistical deception used by the So viets. Since this type of data i used principally as a weapon o propaganda very little value i placed abroad on this informa tion. If the Treasuries of Wester nations, which may be called o to advance credits to Russia ar reluctant to do so, the Kremlin can thank its years-long policy o deception and outright misrepre sentation of economic condition within its borders.

If, in fact, the Soviet authori ties really expect to expand their trade with the West and to re ceive financial aid, one of th things they will have to do first is to tear down the Iron Curtai completely.

—END

But—how much does her cigarette weigh?

Believe it or not, there *are* people who are deeply interested in how much the lady's cigarette weighs.

The cigarette is a Lucky. Among the people who carefully watch its weight are the scientists and technicians in the Research Laboratory of The American Tobacco Company.

You see, the weight of a cigarette in relation to its length and circumference has a considerable effect on the way the cigarette tastes. If it's too *heavy*, the cigarette will draw hard, and the taste will be altered. If it's too *light*, the cigarette will burn fast and unpleasantly hot.

Like humans, Luckies have a *right* weight for their size. Day in and day out, this weight is painstakingly checked on the most delicate laboratory scales. This, like hundreds of similar operations performed in the Research Laboratory, guarantees every Lucky smoker the pleasure of a matchless cigarette.

The American Tobacco Company

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